

*Building
Our Future*



Carnival Cruise Lines is the largest, most popular and most profitable cruise line in the world. The leader in the contemporary cruise sector, Carnival operates 15 ships, including its newest ship, the Carnival Victory. The line currently has seven new ships at an estimated cost of \$3 billion scheduled for delivery over the next four years. Carnival ships cruise to the Bahamas, Canada, the Caribbean, Mexico, New England, the Panama Canal, Alaska and Hawaii.

www.carnival.com



Holland America Line is a leader in the premium cruise sector. Holland America operates a five-star fleet of ten ships, including its two newest ships, the Zaandam and the Amsterdam. The line currently has five new ships at an estimated cost of \$2.1 billion scheduled for delivery over the next five years. Primary Holland America destinations include Alaska, the Caribbean, the Panama Canal and Europe.

www.hollandamerica.com



Costa Cruises is Europe's leading cruise line. Based in Italy, Costa offers guests on its seven ships a multi-ethnic, multi-cultural and multi-lingual ambiance. The line currently has three new ships at an estimated cost of \$1.1 billion slated to enter service over the next four years. Costa ships, including its newest, the popular Costa Atlantica, sail to destinations in Europe, South America and the Caribbean.

www.costacruises.com



Cunard Line offers luxury cruises exemplified by a classic, old world ambiance and traditional British hospitality. Cunard's two cruise ships, including the world's most recognized ocean liner, Queen Elizabeth 2, sail the North Atlantic and to destinations around the world. The new \$780 million ocean liner, Queen Mary 2, is scheduled for delivery in late 2003.

www.cunardline.com



Seabourn Cruise Line epitomizes ultra-luxury cruising aboard each of its six small and intimate ships. Guests enjoy Seabourn's superlative award-winning Scandinavian service as they sail to destinations around the world.

www.seabourn.com



Windstar Cruises is one of the world's highest rated cruise lines. A leader in the luxury sail/cruise sector, Windstar offers travelers five-star accommodations and service aboard four computer-controlled sailing vessels. Windstar's ships cruise to Europe, the Caribbean and Central America.

www.windstarcruises.com



Holland America Tours is the largest cruise/tour operator in Alaska, Washington and the Canadian Yukon. Holland America Tours owns and/or manages 14 hotels; more than 300 motor coaches; 13 private, domed rail cars; and two luxury dayboats. The company also markets sightseeing packages to Holland America Line passengers and to the public.



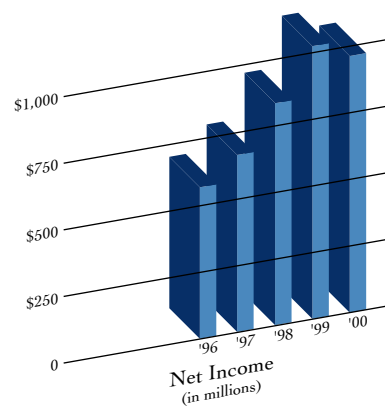
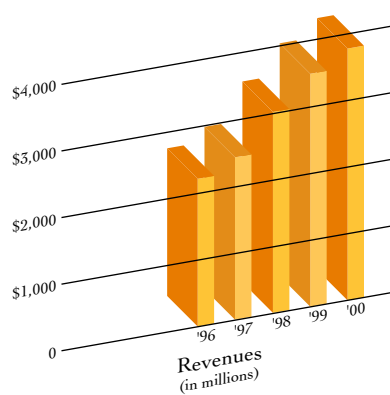
Airtours plc is a leading European tour/cruise operator and one of the world's largest air-inclusive leisure travel companies. Headquartered in the United Kingdom, Airtours is a leader in the British, Scandinavian, German and North American holiday markets, meeting the needs of more than 15 million vacationers in 2000. Sun Cruises, a European cruise operator, is Airtours' cruise brand. Carnival Corporation has a 25 percent interest in Airtours.

www.airtours.com



Carnival Corporation
Financial Highlights

<i>In millions of dollars, except Earnings Per Share</i>	2000	1999	1998	1997	1996
Revenues	\$3,779	\$3,497	\$3,009	\$2,447	\$2,213
Net Income	\$ 965	\$1,027	\$ 836	\$ 666	\$ 566
Earnings Per Share	\$ 1.60	\$ 1.66	\$ 1.40	\$ 1.12	\$ 0.96
Return On Equity	16.4%	20.1%	21.2%	20.1%	21.1%
Cash From Operations	\$1,280	\$1,330	\$1,092	\$ 878	\$ 742
Total Assets	\$9,831	\$8,286	\$7,179	\$5,427	\$5,102





*Plotting
our
course
for
the
future*



Carnival Corporation
Letter to Shareholders

To Our Shareholders:

*T*wo thousand began in a spirit of celebration, but became one of the most challenging years in Carnival Corporation's recent history. In fact, for the first time in 15 years, we did not achieve the record earnings that our investors have come to expect from Carnival Corporation.

What caused Carnival's earnings to fall short of their historical growth rates? In brief, a host of forces converged at once to impact our results for the year. After several years of unprecedented revenue yield improvement and capacity growth, we expected smooth sailing, with solid pricing improvement, a strong Millennium turnout and a pattern of steady bookings. What we experienced, however, was a fall-off in pre- and post-Millennium bookings and relatively softer demand, which resulted in a weaker-than-expected pricing environment. Though we responded swiftly to these conditions with a pricing strategy that successfully attracted more guests, we were unable to deliver improved revenue yields for the year. In addition, substantially higher fuel costs; one-time restructuring charges and reduced operating results at Airtours, in which we have a 25 percent interest; and cancelled cruises, including several due to manufacturer's design flaws, combined to constrain our financial performance and produce mixed results during the year.

Revenues reached a new record of \$3.78 billion, an increase of eight percent,

compared with revenues of \$3.50 billion in 1999. Cruise operating income rose to \$961.8 million from \$947.5 million in 1999, despite pricing pressures and materially higher fuel costs. However, net income declined to \$965.5 million, a decrease of six percent, compared with 1999 net income of \$1.03 billion. Earnings per share declined to \$1.60, compared with \$1.66 in 1999.

Despite this earnings disappointment, we still sailed past several new Carnival and industry milestones in 2000. We grew the total number of guests we carried in one year by 12.8 percent to 2.7 million. We attracted a record number of first-time cruisers in 2000, and we increased occupancy rates to 105.4 percent from 104.3 percent in 1999. We introduced an unprecedented four new ships in just six months:



"We remain sharply focused on executing our growth strategy. In 2000, we accelerated our shipbuilding program, expanded our presence in the fast-growing European cruise business and launched several initiatives geared to raise consumer demand for our products."

Micky Arison
*Chairman and
Chief Executive Officer
Carnival Corporation*





"An important driver of our future growth is our shipbuilding program, which will deliver greater capacity to meet future demand and enhance shareholder value as new, more profitable ships enter our fleet."

Howard S. Frank
Vice Chairman and
Chief Operating Officer
Carnival Corporation

Holland America Line's 1,440-passenger Zaandam and 1,380-passenger Amsterdam; Costa Cruises' 2,112-passenger Costa Atlantica, and Carnival Cruise Line's 2,758-passenger Carnival Victory, thereby contributing to a more than 10 percent increase in guest capacity. We also worked with Finnish engine manufacturer Wartsila NSD to develop a smokeless diesel engine, designated as one of the most environmentally friendly power plants available for ships.

Most importantly, we continued in 2000 to position our business for future growth. We accelerated our shipbuilding program, expanded our presence in the fast-growing European cruise business and launched several new initiatives geared to increase consumer demand for our products.

Although we are proud of our accomplishments in 2000, we recognize that they are no substitute for the consistently superior bottom-line financial performance that our shareholders have come to expect. Our entire management team is impatient to reclaim our long tradition of delivering record earnings. In fact, we are confident that we will prosper once again, and we firmly believe that our strategy will return Carnival Corporation to consistent in the future of the company, we repurchased 33.1 million shares of our common stock during the year, at a total cost of approximately \$705 million.

Working to Deliver Greater Profitability

Historically, a primary driver of our growth has been our shipbuilding program, which we accelerated in 2000 to meet projected future demand. New ships offer the opportunity to capture a larger share of the vacation market, and provide a wide range of popular amenities, including cabins with verandahs, which attract more vacationers. By year end, we had ordered 16 new ships to be delivered over the next five years, at an investment of approximately \$7 billion.





*Delivering
new ships*

to attract

new guests



BUILDING INNOVATIVE SHIPS TO DRIVE DEMAND

Historically, our growth has been driven by the expansion of our core brands through our aggressive shipbuilding program. By year-end 2000, we had a total of 16 new ships valued at an investment of approximately \$7 billion slated for delivery by 2005.

These innovative new ships will feature the popular amenities that meet the increasingly sophisticated desires of our guests. Carnival Cruise Lines' new ships will offer more staterooms with ocean views and private verandahs, and encompass an array of dining and entertainment options, expanded children's play areas, wedding chapels, conference centers and health and fitness facilities. Holland America's ships will feature more spacious staterooms facing the ocean with

private verandahs, along with superb dining options, expanded spa facilities, first-rate entertainment and Internet cafes. Costa's new ships will be built on the resounding success of the popular new Costa Atlantica, and will feature many of the most sought-after amenities with an Italian flair. Cunard's new Queen Mary 2 will serve the transatlantic market with the widest variety of luxury amenities and facilities aboard any oceangoing vessel.

We expect Carnival Corporation's exciting new ships to provide the capacity increase we need to meet projected future demand. Moreover, we expect them to deliver improved profitability and allow us to bolster our leadership position in the cruise industry.



*Navigating
steadily,
full speed
ahead*





These innovative new ships, specially designed for our multiple brands and built to strategically target specific segments of the cruise industry, provide us with approximately 36,800 new berths and a potentially greater than 60 percent capacity increase by the end of 2005. Funded primarily by internally generated cash flow, these ships include seven vessels for Carnival Cruise Lines and five for Holland America Line. We also signed contracts for three new vessels for Costa Cruises to meet projected growth in the European market.

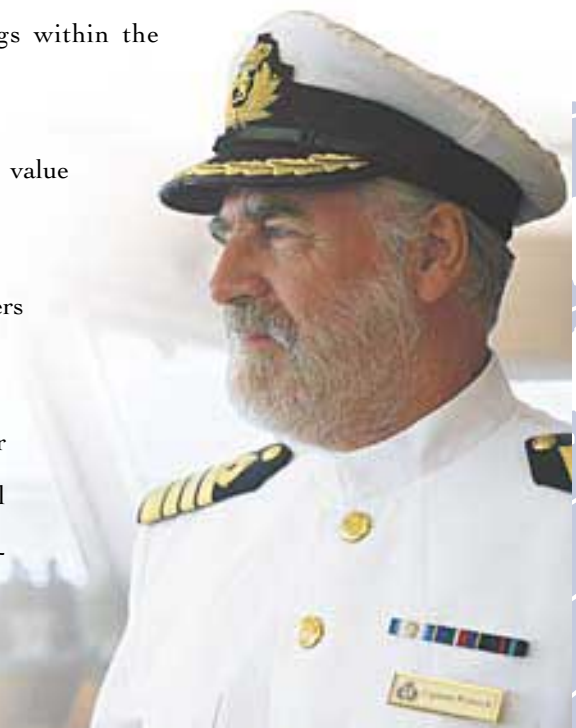


At Cunard, we signed a contract to build the 150,000-ton Queen Mary 2, which, when completed in late 2003, will be the largest, most luxurious ocean liner ever constructed. The Queen Mary 2 will also become one of only two vessels in the world serving the transatlantic-crossing niche market.

Although we may have experienced challenges in 2000, our business requires a long-term view due to the lead time necessary to construct new vessels. We believe there is a bright future for the cruise industry and Carnival Corporation in particular, for several reasons:

- Cruising is still a small segment of the overall vacation market both domestically and abroad;
- Demographic trends point to rising consumer interest in cruising, as more people enter the prime age for cruising of between 40 and 60 years;
- Cruising enjoys one of the highest satisfaction ratings within the vacation market;
- When compared with other popular vacations, the cruise value proposition attracts both first-time and repeat cruisers;
- The variety of the company's products appeals to consumers from a broad range of lifestyles.

These factors lend credence to our belief that consumer interest will keep pace with new building and that demand will absorb supply over the long term. We also believe that our ship-





"The European cruise industry is growing even faster than the cruise industry in North America. By adding new capacity, we will be able to meet exceptionally strong consumer demand for cruising and improve efficiencies to deliver better returns for shareholders."

Pier Luigi Foscchi
Chairman and
Chief Executive Officer
Costa Crociere S.p.A.



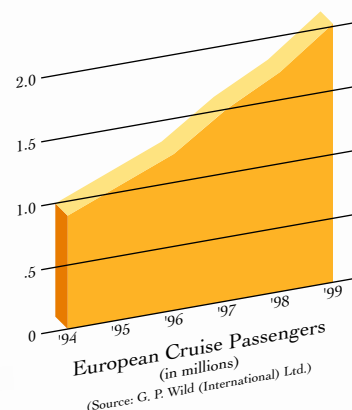
building program should enable us to improve our company's financial performance as new, more profitable ships enter our fleet.

Just as we are working to increase our capacity and target specific cruise segments, we are also preparing operationally for our continued growth. To meet future demand and take advantage of our opportunities, we have invested in web-based booking systems, hired skilled professionals to help us leverage these sophisticated technologies and fortified our operations teams.

Globalizing our Vacation Business

Equally fundamental to our growth strategy is the continuing globalization of our vacation business, and in 2000, we set out to expand our position in Europe, which we believe offers exceptional opportunities for growth. The European cruise business is growing even faster than its North American counterpart, yet less than one percent of European travelers took a cruise in 2000. Europe's demographics are equally compelling, as Europe has a population larger than that of North America and its consumers tend to take longer vacations.

In 2000, we positioned our company better to take advantage of this burgeoning market segment by acquiring the balance of Costa for approximately \$510 million. This strategic acquisition solidified our ownership of a cruise line that we believe is as well known and recognized in Europe and South America as Carnival Cruise Lines is in North America. It also positioned us to maximize marketing and operating synergies, expand Costa's operations and extend our European reach. We intend to leverage Costa's leadership position by furthering our commitment to its development plans, adding three additional ships to the order book—including a sister ship to the popular Costa Atlantica—and transferring the refitted 1,022-passenger Tropicale from Carnival Cruise Lines to Costa Cruises' fleet. In this way, we will expand one of Europe's largest fleets, which will position us to gain a greater foothold in the fast-growing European cruise business.





Expanding our commitment to European cruisers

BUILDING OUR EUROPEAN PRESENCE

An essential part of Carnival Corporation's growth strategy is our continuing expansion in Europe. The rate at which European vacationers take a cruise has been growing at a 15 percent compound annual growth rate since 1994. The potential growth of cruising in North America is extremely attractive: approximately two percent of the North American vacationing public takes a cruise annually. However, the potential for growth in Europe is even greater: less than one percent of European vacationers takes a cruise each year. Interestingly, the average length of time Europeans—particularly Italian, French and German travelers—spend on vacation is double to triple that of North

American travelers. And Europeans tend to place far greater emphasis on the vacation experience as an essential measure of their quality of life.

These collective factors offer compelling evidence of the promise of the European cruise industry. In 2000, we sought to further our European expansion by acquiring the remaining portion of Costa Cruises, our primary platform for growth in the region. We also expanded the cruise line's new building program, thereby helping to ensure that Costa will remain among the largest and most successful cruise companies in Europe for years to come.



ATTRACTING FIRST-TIME CRUISERS



A strategic priority at Carnival Corporation is to expand our appeal to first-time cruisers. One way we have reached this goal is by anticipating every desire of potential guests, making vacations aboard Carnival ships even more fun, convenient and affordable.

We have made a special effort to create a warm and welcoming atmosphere on our 15 Carnival Cruise Lines vessels, giving new meaning to the term "Fun Ships." For cruise novices hesitant to take a seven-day cruise on their first time out, or for those who simply don't have the time, we have created cruises with shorter, more flexible itineraries. We have also made our cruises more convenient, affordable and accessible by adding a number of new homeports located closer to our guests. Carnival Cruise Lines now departs from more

ports in North America than ever, including Boston, New York, Newport News, Charleston, Tampa, New Orleans, Galveston, Los Angeles, San Diego, Ensenada, Seward, Vancouver, Port Canaveral and Miami.

By offering shorter itineraries and by making cruising more accessible, convenient and affordable, we have helped make the cruise vacation a more attractive option than ever before. Our success in these efforts is evidenced by the fact that we attracted a record number of first-time cruisers in 2000. But the benefit for Carnival Corporation extends well beyond attracting newcomers to cruising: Once our guests take a cruise for the first time, they find the vacation experience so satisfying and enjoyable that they return to cruising again and again as a welcome vacation alternative.

*Working
together
to expand our
customer
base*



WORLD'S LEADING CRUISE LINES

Growing our Customer Base

Industry experts expect more than seven million consumers in North America to take a cruise in 2001, and we are keenly focused on growing our customer base to capture a significant share of these vacationers. We have advanced our effort by furthering several initiatives to increase consumer demand for cruising and heighten our appeal to a broader target market.

During the year, we forged new marketing alliances and initiatives that should expand our reach to first-time and existing cruise guests. We launched Vacation Interchange Privileges (VIP), an innovative loyalty program that provides special considerations to repeat guests aboard any of our six brands jointly marketed as the World's Leading Cruise Lines. We partnered with Starwood Preferred Guest, the world's leading hotel loyalty program, adding cruising to the growing list of award options available to their customers. In addition, Carnival Cruise Lines

promoted cruising to the public by opening three Carnival Vacation Stores, company-owned travel information kiosks located in major metropolitan centers in Texas.

We also took steps to leverage the power of the Internet, which is expected to total \$29 billion in on-line

leisure travel purchases by U.S. consumers in 2004. To keep pace with rapid advances in Internet-based travel technology and marketing, in 2000 we enhanced the web sites for Holland America Line and Windstar Cruises, enriching the user's web-based research experience. We also re-launched Carnival.com, Carnival Cruise Lines' consumer web site and travel agent web-based booking engine, which promotes cruising to consumers and captures the interest of first-time cruisers. By helping to promote cruising to the public, we are also benefiting our long-time travel partners, travel agents, who are essential in the distribution of our cruise products to the vacationing public.

At Carnival Cruise Lines, we enhanced our selection of shorter itineraries, and expanded the number of embarkation ports, bringing cruising closer to our guests and making it a more convenient and more affordable vacation choice. We positioned ourselves to access a vast new market segment by establishing a new port of embarkation in Galveston, Texas. We also entered an agreement with



"Cruising offers unparalleled all-inclusive value when compared with popular land-based vacations. Once our guests try cruising for the first time, they're hooked."

Robert H. Dickinson
*President and
Chief Operating Officer
Carnival Cruise Lines*





"Holland America offers a cruise product that precisely meets the wishes of our guests, no matter what their interests may be. The wide range of our onboard services—including those on our private island, Half Moon Cay—have the powerful appeal that attracts new guests and results in many return visits."

A. Kirk Lanterman
Chairman and
Chief Executive Officer
Holland America Line—
Westours Inc.

Queen's Seaport Development, enabling us to construct and operate a new cruise ship terminal for Carnival Cruise Lines' West Coast-based ships in Long Beach, California.

We complemented these efforts by launching a new "reality-based" television advertising campaign for Carnival Cruise Lines, designed to build demand by promoting cruising to first-time cruisers. In a series of 18 thirty-second spots, we featured candid conversations with actual first-time cruisers who recently completed a Carnival "Fun Ship" vacation. These travelers offer an authentic and credible point of reference for viewers and provide a powerful "word-of-mouth" endorsement essential to attracting first-time cruisers.

Navigating the Waters Ahead

Two thousand was an especially tough year, and as we head into 2001, we do so without the guidance and stewardship of our longtime friend and Board member, Bill Ruben, who passed away in 2000. We also recognize that the economic climate is uncertain. As a company in the leisure travel business, we realize that we are not immune to the difficulties that such an environment, and an accompanying decline in consumer confidence, might bring.

However, we continue to believe that Carnival Corporation's many strengths powerfully position us for a successful future. We remain the largest and most profitable cruise operator in the cruise industry, which represents a rapidly growing segment of the vacation industry. Our multiple brands target cruisers with specific preferences, thereby appealing to the broadest base of existing and potential guests. We offer our guests more choices, including more ships, ports of call, amenities and dining options than ever before. Our ship order book represents a potential 13 percent compound annual capacity growth through 2005. We have a proven ability to create new marketing alliances and identify alternative distribution opportunities that benefit travel agents and build on our existing markets.

In addition, our size affords us attractive economies of scale and the ability to leverage our infrastructure to capture operating efficiencies. We are sharply focused on operating environmentally responsible ships, and continuing to improve our policies and procedures to preserve the purity of the crystalline waters we call home. We have a talented management team, skilled people and exciting new





*Providing
the best
choices
in the
cruise industry*





Fulfilling the
dreams
of a
wide range of
vacationers



technologies. We have a solid balance sheet and strong cash flow that give us the flexibility to leverage new opportunities and make the investments necessary to drive our future growth. And we have an attractive range of cruise products that are designed to fulfill the dreams of any vacationer.

As I consider our performance in 2000, I recall what Miami Heat Coach Pat Riley once said, "It's what you get from the games you lose that is extremely important." We broke our 15-year winning streak of delivering record earnings, but we gained something from that loss: a greater ability to meet future challenges. Today, Carnival Corporation is smarter and more responsive than ever. Furthermore, in the face of an uncertain economy, we are even more sharply focused on executing our growth strategy, maintaining a realistic and sustainable pricing strategy, managing our costs and operating to the very best of our ability.

For these reasons, our management team is confident in the future of our company. Our goal is to restore that level of confidence to you, our valued shareholders, by once again proving our ability to deliver the results you have come to expect from Carnival Corporation and the World's Leading Cruise Lines.



Micky Arison
Chairman and Chief Executive Officer

February 9, 2001

"As we move forward, we are committed to executing our growth strategy, maintaining a realistic and sustainable pricing strategy, managing our costs and operating to the very best of our ability."

Micky Arison



Carnival Corporation
Shareholder Benefit

Carnival Corporation is pleased to extend the following benefit to our Shareholders:

\$250 Onboard credit per stateroom on sailings of 14 days or longer

\$100 Onboard credit per stateroom on sailings of 7–13 days

\$ 50 Onboard credit per stateroom on sailings of 6 days or less

This benefit is applicable on sailings through July 31, 2002 aboard: Carnival Cruise Lines, Holland America Line, Windstar Cruises, Costa Cruises, Cunard Line and Seabourn Cruise Line.

This benefit is available to shareholders holding a minimum of 100 shares. Employees, travel agents cruising at travel agent rates, tour conductors or anyone cruising on a reduced-rate or complimentary basis are excluded from this offer. This benefit is not transferable, not combinable with any other shipboard offer and cannot be used for casino credits/charges and tips charged to your onboard account. Only one onboard credit per shareholder-occupied stateroom. Reservations must be made by February 28, 2002.

Please provide your name, reservation number, ship and sailing date, along with proof of ownership of Carnival Corporation stock (i.e., photocopy of shareholder proxy card or a current brokerage statement) and the initial deposit to your travel agent or to the cruise line you have selected.

CARNIVAL CRUISE LINES

Research Supervisor, Reservation Administration
3655 N.W. 87th Avenue
Miami, FL 33178
Tel 800-458-6744 ext. 70041
Fax 305-406-5882

HOLLAND AMERICA LINE/WINDSTAR

Reservation Administration Agent
300 Elliott Avenue West
Seattle, WA 98119
Tel 800-426-0327 ext. 4042
Fax 206-298-3059

COSTA CRUISES

Director, Passenger Services
80 S.W. 8th Street
Miami, FL 33130
Tel 800-462-6782
Fax 305-375-0676

CUNARD LINE/SEABOURN

Supervisor, Guest Services
6100 Blue Lagoon Drive, #400
Miami, FL 33126
Tel 800-528-6273 ext. 1214
Fax 305-463-3038





Building Our Future

Carnival Corporation
Consolidated Balance Sheets

	November 30,	
<i>(in thousands, except par value)</i>	2000	1999
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 189,282	\$ 521,771
Accounts receivable, net	95,361	62,887
Consumable inventories	100,451	84,019
Prepaid expenses and other	164,388	122,959
Total current assets	549,482	791,636
Property and Equipment, Net	8,001,318	6,410,527
Investments in and Advances to Affiliates	437,391	586,922
Goodwill, less Accumulated Amortization of \$99,670 and \$85,272	701,385	462,340
Other Assets	141,744	34,930
	\$9,831,320	\$8,286,355
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 248,219	\$ 206,267
Accounts payable	332,694	195,879
Accrued liabilities	302,585	262,170
Customer deposits	770,425	675,816
Dividends payable	61,371	64,781
Total current liabilities	1,715,294	1,404,913
Long-Term Debt	2,099,077	867,515
Deferred Income and Other Long-Term Liabilities	146,332	82,680
Commitments and Contingencies (Notes 2 and 9)		
Shareholders' Equity		
Common Stock; \$.01 par value; 960,000 shares authorized; 617,568 and 616,966 shares issued	6,176	6,170
Additional paid-in capital	1,772,897	1,757,408
Retained earnings	4,884,023	4,176,498
Unearned stock compensation	(12,283)	(9,945)
Accumulated other comprehensive (loss) income	(75,059)	1,116
Treasury Stock; 33,087 shares at cost	(705,137)	
Total shareholders' equity	5,870,617	5,931,247
	\$9,831,320	\$8,286,355

The accompanying notes are an integral part of these consolidated financial statements.

Carnival Corporation
Consolidated Statements of Operations

	Years Ended November 30,		
	2000	1999	1998
<i>(in thousands, except per share data)</i>			
Revenues	\$3,778,542	\$3,497,470	\$3,009,306
Costs and Expenses			
Operating expenses	2,058,342	1,862,636	1,619,377
Selling and administrative	487,403	447,235	369,469
Depreciation and amortization	287,667	243,658	200,668
	2,833,412	2,553,529	2,189,514
Operating Income Before Income From			
Affiliated Operations	945,130	943,941	819,792
Income From Affiliated Operations, Net	37,828	75,758	76,732
Operating Income	982,958	1,019,699	896,524
Nonoperating Income (Expense)			
Interest income	16,506	41,932	10,257
Interest expense, net of capitalized interest	(41,372)	(46,956)	(57,772)
Other income, net	8,460	29,357	1,793
Income tax expense	(1,094)	(2,778)	(3,815)
Minority interest		(14,014)	(11,102)
	(17,500)	7,541	(60,639)
Net Income	\$ 965,458	\$1,027,240	\$ 835,885
Earnings Per Share:			
Basic	\$ 1.61	\$ 1.68	\$ 1.40
Diluted	\$ 1.60	\$ 1.66	\$ 1.40

The accompanying notes are an integral part of these consolidated financial statements.

Carnival Corporation
Consolidated Statements of Cash Flows

<i>(in thousands)</i>	Years Ended November 30, 2000	1999	1998
OPERATING ACTIVITIES			
Net income	\$ 965,458	\$1,027,240	\$ 835,885
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	287,667	243,658	200,668
Income from affiliated operations in excess of dividends received	(21,362)	(60,671)	(63,059)
Minority interest		14,014	11,102
Other	(14,689)	4,007	(8,428)
Changes in operating assets and liabilities, excluding businesses acquired and consolidated:			
(Increase) decrease in:			
Receivables	(15,132)	(3,271)	137
Consumable inventories	(8,205)	(8,570)	(3,913)
Prepaid expenses and other	(21,972)	(9,465)	(15,369)
Increase (decrease) in:			
Accounts payable	58,133	27,333	18,758
Accrued liabilities	(5,977)	58,016	42,401
Customer deposits	55,614	37,433	73,658
Net cash provided from operating activities	1,279,535	1,329,724	1,091,840
INVESTING ACTIVITIES			
Additions to property and equipment, net.	(1,003,348)	(872,984)	(1,150,413)
Proceeds from sale of assets	51,350		47,028
Acquisition of consolidated subsidiaries, net.	(383,640)	(54,715)	(242,868)
Other, net.	43,611	17,319	25,200
Net cash used for investing activities	(1,292,027)	(910,380)	(1,321,053)
FINANCING ACTIVITIES			
Proceeds from long-term debt	1,020,091	7,772	1,404,395
Purchase of Treasury Stock	(705,137)		
Principal payments of long-term debt	(388,429)	(564,838)	(1,006,586)
Dividends paid	(254,333)	(219,179)	(178,458)
Proceeds from issuance of Common Stock, net	7,811	741,575	11,399
Other		(176)	(4,253)
Net cash (used for) provided from financing activities	(319,997)	(34,846)	226,497
Net (decrease) increase in cash and cash equivalents	(332,489)	384,498	(2,716)
Cash and cash equivalents at beginning of year	521,771	137,273	139,989
Cash and cash equivalents at end of year	\$ 189,282	\$ 521,771	\$ 137,273

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in thousands)	Compre- hensive income	Common Stock	Additional paid-in- capital	Retained earnings	Unearned stock compen- sation	Accumulated other comprehensive (loss) income	Treasury Stock	Total share- holders' equity
Balances at November 30, 1997, as previously reported		\$ 2,972	\$ 866,097	\$2,731,213	\$ (2,166)	\$ 6,982	\$ (705,137)	\$3,605,098
Two-for-one stock split effective June 12, 1998		2,972	(2,972)					
Balances at November 30, 1997, as adjusted		5,944	863,125	2,731,213	(2,166)	6,982		3,605,098
Comprehensive income:								
Net income	\$ 835,885			835,885				835,885
Changes in securities valuation allowance	270					270		270
Foreign currency translation adjustment	17,447					17,447		17,447
Total comprehensive income	<u>\$ 853,602</u>							
Cash dividends				(187,470)				(187,470)
Issuance of stock under stock plans		11	17,363		(4,651)			12,723
Amortization of unearned stock compensation					1,523			1,523
Balances at November 30, 1998		5,955	880,488	3,379,628	(5,294)	24,699		4,285,476
Comprehensive income:								
Net income	\$1,027,240			1,027,240				1,027,240
Changes in securities valuation allowance	(4,374)					(4,374)		(4,374)
Foreign currency translation adjustment	(19,209)					(19,209)		(19,209)
Total comprehensive income	<u>\$1,003,657</u>							
Cash dividends				(230,370)				(230,370)
Issuance of stock in public offering, net		170	725,062					725,232
Issuance of stock to acquire minority interest in Cunard Line Limited		32	127,037					127,069
Issuance of stock under stock plans		13	24,821		(7,326)			17,508
Amortization of unearned stock compensation					2,675			2,675
Balances at November 30, 1999		6,170	1,757,408	4,176,498	(9,945)	1,116		5,931,247
Comprehensive income:								
Net income	\$ 965,458			965,458				965,458
Changes in securities valuation allowance	(2,232)					(2,232)		(2,232)
Foreign currency translation adjustment	(73,943)					(73,943)		(73,943)
Total comprehensive income	<u>\$ 889,283</u>							
Cash dividends				(250,923)				(250,923)
Issuance of stock under stock plans		6	15,489		(5,977)			9,518
Amortization of unearned stock compensation					3,639			3,639
Effect of conforming Costa's fiscal year				(7,010)				(7,010)
Purchase of Treasury Stock							(705,137)	(705,137)
Balances at November 30, 2000	\$	6,176	\$1,772,897	\$4,884,023	\$(12,283)	\$ (75,059)	\$(705,137)	\$5,870,617

The accompanying notes are an integral part of these consolidated financial statements.

*Notes to Consolidated Financial Statements***Note 1 – General****Description of Business**

Carnival Corporation, a Panamanian corporation, and its consolidated subsidiaries (referred to collectively as the “Company”) operate six cruise lines under the brand names Carnival Cruise Lines (“Carnival”), Costa, Cunard Line (“Cunard”), Holland America Line (“Holland America”), Seabourn Cruise Line (“Seabourn”) and Windstar Cruises (“Windstar”) and a tour business, Holland America Tours. Carnival operates fifteen cruise ships primarily in the Caribbean and the Mexican Riviera. Holland America operates ten cruise ships primarily in Alaska, the Caribbean and Europe. Costa operates seven cruise ships primarily in Europe, the Caribbean and South America (see Note 3). Cunard and Seabourn operate two and six luxury cruise ships, respectively, to worldwide destinations and Windstar operates four luxury, sail-powered ships primarily in the Caribbean, Europe and Central America. Holland America Tours markets sightseeing tours both separately and as a part of its cruise/tour packages. Holland America Tours operates 14 hotels in Alaska and the Canadian Yukon, two luxury dayboats offering tours to the glaciers of Alaska and the Yukon River, over 300 motor coaches used for sightseeing and charters in the states of Washington and Alaska and in the Canadian Rockies and 13 private domed rail cars which are run on the Alaska Railroad between Anchorage and Fairbanks.

The Company has a 25% interest in Airtours plc (“Airtours”), a publicly traded air-inclusive integrated leisure travel company headquartered in England. Airtours provided holidays for approximately 15 million people in 2000 primarily from the United Kingdom, Germany, Ireland, North America and Scandinavia and owns or operates 2,600 travel shops and 48 telesales centers, 52 aircraft, four cruise ships and 93 hotel and resort properties.

Preparation of Financial Statements

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the Company’s financial statements. Actual results could differ from these estimates. All material intercompany transactions, accounts and unrealized profits and losses on transactions within the consolidated group and with affiliates have been eliminated in consolidation.

Note 2 – Summary of Significant Accounting Policies**Basis of Presentation**

Carnival Corporation consolidates subsidiaries over which it has control, as typically evidenced by a direct ownership interest of greater than 50%. For affiliates where significant influence over financial and operating policies exists, as typically evidenced by a direct ownership interest from 20% to 50%, the investment is accounted for using the equity method.

Cash and Cash Equivalents

Cash and cash equivalents include investments with original maturities of three months or less and are stated at cost. At November 30, 2000 and 1999, cash and cash equivalents included \$157 million and \$502 million of investments, respectively, primarily comprised of time deposits and investment grade commercial paper, respectively.

Consumable Inventories

Consumable inventories consist primarily of provisions, spare parts, supplies and fuel carried at the lower of cost (weighted-average) or market.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization was computed using the straight-line method over estimated average useful lives as follows:

	Years
Ships	11-30
Buildings and improvements	10-40
Transportation equipment and other	2-20
Leasehold improvements	Shorter of lease term or related asset life

The Company reviews its long-lived assets, identifiable intangibles and goodwill and reserves for their impairment, based generally upon estimated future undiscounted cash flows, whenever events or changes in circumstances indicate the carrying amount of these assets may not be fully recoverable.

Costs associated with drydocking are capitalized as prepaid expenses and charged to operating expenses generally over one year.

The Company capitalizes interest on ships and other capital projects during the construction period.

Investments in Affiliates

In the event of the issuance of stock by an affiliate, the Company generally recognizes a gain or loss (see Note 5). At November 30, 2000 and 1999, the

costs in excess of the net assets acquired of affiliates ("goodwill") was \$195 million and \$232 million, respectively. Goodwill is being amortized using the straight-line method, principally over 40 years and is recorded in "Income from Affiliated Operations, Net" in the accompanying statements of operations.

Goodwill

Goodwill of \$275 million resulting from the acquisition of HAL Antillen, N.V., the parent company of Holland America, Windstar and Holland America Tours, \$272 million resulting from the acquisitions of Cunard and Seabourn and \$254 million resulting from the fiscal 2000 acquisition of Costa, is being amortized using the straight-line method over 40 years.

Derivative Instruments

The Company utilizes derivative instruments, principally forward contracts and swaps, to enhance its ability to manage certain risks related to foreign currency exchange rates and interest rates which exist as part of its ongoing business operations.

The Company's most significant contracts to buy foreign currency are forward contracts entered into to fix the cost in U.S. dollars of certain of its foreign currency denominated shipbuilding commitments (see Note 9). Changes in the market value and any discounts or premiums on these forward foreign currency contracts are recorded at maturity, which coincides with the dates when the related foreign currency payments are to be made, with any resulting gain or loss included in the cost of the ship.

From time to time the Company uses interest rate swap agreements to manage interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. The fair value of the swaps is not reflected in the financial statements and any amounts paid or received on hedges related to debt will be included in interest expense.

In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Pursuant to SFAS No. 133, changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. SFAS No. 133, as amended, is effective for the Company beginning December 1, 2000. Based on existing operations, the adoption of SFAS No. 133 will not have a significant impact on the Company's results of operations or cash flows, however, on December 1, 2000, the Company's assets and liabilities will each increase

by approximately \$540 million. This increase in assets and liabilities primarily represents the recording of offsetting unrealized gains and losses on the Company's shipbuilding commitments and related forward foreign currency contracts, respectively.

Revenue and Expense Recognition

Guest cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities on the balance sheet when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from shipboard activities and all associated direct costs of a voyage, generally upon completion of voyages with durations of ten days or less and on a pro rata basis for voyages in excess of ten days. Revenues and expenses from tour and related services are recognized at the time the services are performed or expenses are incurred.

Advertising Costs

Substantially all of the Company's advertising costs are charged to expense as incurred, except costs which result in tangible assets, such as brochures, which are recorded as prepaid expenses and charged to expense as consumed. Advertising expense totaled \$181 million in fiscal 2000, \$178 million in fiscal 1999 and \$142 million in fiscal 1998. At November 30, 2000 and 1999, \$23 million and \$22 million, respectively, of advertising related costs were included in prepaid expenses and other in the accompanying balance sheets.

Foreign Currency Translations and Transactions

For foreign subsidiaries and affiliates using the local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet dates. Translation adjustments resulting from this process are reported in accumulated other comprehensive income (loss) within shareholders' equity. Revenues and expenses of these foreign subsidiaries and affiliates are translated at weighted average exchange rates for the period. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in income currently.

Income Taxes

Management believes that substantially all of the Company's income (with the exception of its United States ("U.S.") source income from the transportation, hotel and tour businesses of Holland America Tours) is exempt from U.S. federal income taxes. If the Company was found not to meet certain tests of the Internal Revenue Code, as amended, (the "Code") or if the Code were to be changed in a manner adverse to the Company, a portion of the

Company's income would become subject to taxation by the U.S. at higher than normal corporate tax rates.

Additionally, certain of the Company's foreign subsidiaries are subject to foreign income taxes, however, such amounts have not been significant.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of Common Stock outstanding during each period. Diluted earnings per share is computed by dividing net income, as adjusted, by the weighted average number of shares of Common Stock, Common Stock equivalents and other potentially dilutive securities outstanding during each period.

Stock-Based Compensation

The Company accounts for employee stock-based compensation using the intrinsic value method and discloses certain fair value pro forma information with respect to its employee stock-based compensation activities (see Note 11).

Concentrations of Credit Risk

As part of its ongoing control procedures, the Company monitors concentrations of credit risk associated with financial institutions with which it conducts business. Credit risk, including counterparty nonperformance under derivative instruments, is considered minimal as the Company only deals with large well-established financial institutions. The Company also monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. Concentrations of credit risk associated with these receivables are considered minimal due to the Company's diverse customer base and bad debts have been minimal. The Company does not normally require collateral or other security to support normal credit sales.

Accounting Changes

In fiscal 1998, Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") was issued. SOP 98-5 requires that all start-up or pre-operating costs be expensed as incurred. In fiscal 1998, the Company adopted SOP 98-5 and, accordingly, expensed \$8.7 million of previously deferred start-up costs. The \$8.7 million represented the cumulative effect from the Company changing this policy, which amount was included in other nonoperating expenses in the fiscal 1998 statement of operations.

In fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income", which is presented in the accompanying statements of shareholders' equity. Comprehensive income consists of net income and other comprehensive income, the

latter includes unrealized gains and losses on available for sale securities and foreign currency translation adjustments.

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" which superceded SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise". The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position but does affect the disclosure of segment information (see Note 10).

Reclassifications

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

Note 3—Acquisition

Since June 1997, the Company has owned 50% of Costa. On September 29, 2000, the Company completed the acquisition of the remaining 50% interest in Costa from Airtours at a cost of approximately \$510 million. Substantially all of the purchase price was funded by euro denominated borrowings of approximately \$161 million under the Company's existing \$200 million multi-currency revolver and \$342 million from a short-term bridge loan. The Company accounted for this transaction using the purchase accounting method. Goodwill derived from this transaction is being amortized using the straight-line method over 40 years.

Prior to the fiscal 2000 acquisition, the Company accounted for its 50% interest in Costa using the equity method and recorded its portion of Costa's operating results as earnings from affiliated operations on a two-month lag basis. For September, October and November, 2000, the Company continued to record its 50% interest in Costa's operating results for the months of July, August and September, 2000, respectively, using the equity method. As of November 30, 2000, the Company changed how it reports Costa's operating results from a two-month lag basis to reporting on Costa's current month's results. At that time, Costa's operating results for the months of October and November 2000 were recorded as a direct adjustment to retained earnings in the Company's November 30, 2000 consolidated balance sheet and the Company's November 30, 2000 consolidated balance sheet includes Costa's November 30, 2000 balance sheet (see Note 5). The impact of conforming Costa's fiscal year on the Company's fiscal 2000 revenues, operating income and net income was not material. Commencing in fiscal 2001, Costa's results of operations will be consolidated on a current month basis in the same manner as the Company's other wholly-owned subsidiaries.

Had the above transaction occurred on December 1, 1998, the Company's unaudited consolidated revenues for fiscal 2000 and 1999 would have been approximately \$4.3 and \$4.1 billion, respectively. The impact on the Company's unaudited consolidated net income and earnings per share for fiscal 2000 and 1999 would have been immaterial.

The impact on the Company's assets and liabilities related to this acquisition was as follows (in millions):

Fair value of acquired assets	\$ 915,437
Debt assumed	(310,259)
Other liabilities assumed	(94,354)
Cash paid for acquisition	510,824
Cash acquired and consolidated	(130,539)
Net cash paid as reflected in the 2000 Statement of Cash Flows	\$ 380,285

Note 4—Property and Equipment

Property and equipment consisted of the following (in thousands):

	November 30, 2000	1999
Ships	\$ 8,420,552	\$ 6,543,592
Ships under construction	320,480	506,477
	8,741,032	7,050,069
Land, buildings and improvements	279,095	235,333
Transportation equipment and other	465,536	395,008
Total property and equipment	9,485,663	7,680,410
Less accumulated depreciation and amortization	(1,484,345)	(1,269,883)
	\$ 8,001,318	\$ 6,410,527

Capitalized interest, primarily on ships under construction, amounted to \$41.1 million in fiscal 2000, \$40.9 million in fiscal 1999 and \$35.1 million in fiscal 1998. Ships under construction include progress payments for the construction of the ship, as well as design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. At November 30, 2000, property and equipment with a net book value of \$955 million was pledged as collateral pursuant to certain notes and a contingent obligation (see Notes 6 and 9).

Note 5—Investments In and Advances to Affiliates

At November 30, 2000 and 1999, the market value of the Company's investment in Airtours, based on the closing price of Airtours' common stock on the London Stock Exchange, was \$361 million and \$837 million, respectively, as compared with the carrying value of the Company's investment in Airtours of \$415 million and \$439 million, respectively. The Company is recording its interest in Airtours' consolidated results of operations on a two-month lag basis using the equity method.

In fiscal 1998, Airtours issued, in connection with acquisitions, approximately 20.7 million shares of its common stock at per share amounts in excess of the Company's carrying value per share. As a result of these transactions, in fiscal 1998, the Company recognized a net gain of \$14.8 million, which was included in other nonoperating income.

Dividends received from affiliates were \$16.5 million, \$15.1 million and \$13.7 million in fiscal 2000, 1999 and 1998, respectively.

Financial information for affiliated companies accounted for using the equity method was as follows (in thousands):

Balance Sheet Data:

	As of End of Fiscal Years 2000 ^(a)	1999
Current assets	\$2,270,185	\$2,310,485
Long-term assets	\$1,985,707	\$2,332,871
Current liabilities	\$1,852,595	\$1,802,385
Long-term liabilities	\$1,532,981	\$1,741,010
Shareholders' equity	\$ 870,316	\$1,099,961

(a) Excludes Costa as it was included in the Company's consolidated balance sheet at November 30, 2000.

Income Statement Data^(b):

	Fiscal Years Ended 2000	1999	1998
Revenues	\$6,669,052	\$5,963,425	\$5,282,230
Gross margin	\$1,345,593	\$1,265,614	\$1,128,305
Net income	\$ 19,770	\$ 255,146	\$ 264,936

(b) Includes Costa for all periods.

Segment information for the Company's affiliated operations was provided in accordance with SFAS No. 131 as follows (in thousands)^(b):

	Fiscal Years Ended 2000	1999	1998
Operating income	\$ 5,114	\$359,953	\$374,560
Depreciation and amortization	\$152,123	\$133,302	\$100,532
Capital expenditures	\$650,098	\$356,267	\$184,395

(b) Includes Costa for all periods.

Note 6—Long-Term Debt

Long-term debt consisted of the following (in thousands):

	November 30, 2000	1999
Commercial paper	\$ 342,846	\$ 9
\$200 million multi-currency revolving credit facility drawn in euros, bearing interest at 5.3% at November 30, 2000 ^(a)	160,862	
Unsecured Debentures and Notes, bearing interest at rates ranging from 5.65% to 7.7%, due through 2028	848,657	1,048,456
Unsecured euro note, bearing interest at euribor plus 0.25% (5.2% at November 30, 2000), due December 2000 ^(a)	338,676	
Euro notes, secured by two ships, bearing interest at euribor plus 0.5% (5.5% at November 30, 2000), due through 2008 ^(a)	329,994	5,000
Unsecured euro notes, bearing interest at rates ranging from euribor plus .185% to euribor plus 1.0% (5.4% to 6.1% at November 30, 2000), due 2001 and 2005 ^(a)	287,034	
Other	39,227	20,326
	2,347,296	1,073,782
Less portion due within one year	(248,219)	(206,267)
	\$2,099,077	\$ 867,515

(a) Euro denominated notes have been translated to U.S. dollars at the period end exchange rate.

At November 30, 2000, the outstanding commercial paper bears interest at approximately 6.6% and was due in 2001. Since the commercial paper is backed by the long-term revolving credit facilities described below, balances outstanding under the commercial paper programs were classified as long-term in the balance sheet.

The Company's commercial paper programs are supported by a \$1 billion unsecured revolving credit facility due December 2001 and a \$200 million unsecured multi-currency revolving credit facility due January 2002. Both revolving credit facilities bear interest at libor/euribor plus 14 basis points ("BPS"), based on the Company's debt rating, and provide for a facility fee of six BPS on each facility. Any funds outstanding under the commercial paper programs reduce the aggregate amount available under these facilities. At November 30, 2000, the Company had \$696 million available for borrowing under these facilities. These facilities and other debt agreements

contain covenants that require the Company, among other things, to maintain minimum debt service coverage and limit debt to capital ratios. At November 30, 2000, the Company was in compliance with all of its debt covenants.

The unsecured Debentures and Notes are not redeemable prior to maturity. During fiscal 2000, the Company repaid its 5.65% unsecured Notes in the amount of \$200 million.

On December 13, 2000, the Company repaid the \$338.7 million unsecured euro note from the proceeds of a five-year unsecured euro note of approximately \$250 million and another borrowing.

At November 30, 2000, the scheduled annual maturities of the Company's long-term debt was summarized as follows (in thousands):

Fiscal	
2001	\$ 248,219
2002	620,508
2003	145,403
2004	139,740
2005	280,891
Thereafter	912,535
	\$2,347,296

Note 7—Shareholders' Equity

The Company's Articles of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 40 million shares of Preferred Stock. The Preferred Stock is issuable in series which may vary as to certain rights and preferences at the discretion of the Board of Directors and has a \$.01 par value. At November 30, 2000 and 1999, no Preferred Stock had been issued.

In December 1998, the Company issued 17 million shares of its Common Stock in a public offering and received net proceeds of approximately \$725 million. The Company issued the stock concurrent with the addition of the Company's Common Stock to the S&P 500 Composite Index.

In February 2000, the Board of Directors authorized the repurchase of up to \$1 billion of the Company's Common Stock. As of November 30, 2000, the Company had repurchased 33.1 million shares of its Common Stock at a cost of \$705.1 million.

At November 30, 2000, there were approximately 15.2 million shares of Common Stock reserved for issuance pursuant to the Company's stock option, employee stock purchase, management incentive, dividend reinvestment and restricted stock plans. During fiscal 2000, the Company declared cash dividends aggregating \$0.42 per share for the year.

The Company does not expect to incur income taxes on future distributions of undistributed earnings

of foreign subsidiaries or foreign affiliates and, accordingly, no deferred income taxes have been provided for the distribution of these earnings. At November 30, 2000 and 1999, accumulated other comprehensive income (loss) within shareholders' equity included cumulative foreign currency translation adjustments which (decreased) or increased shareholders' equity by \$(67.9) million and \$6.0 million, respectively.

On February 8, 2000, the U. S. Treasury Department issued proposed Treasury Regulations to Section 883 of the Code ("Section 883") relating to income derived by foreign corporations from the international operation of ships or aircraft. The proposed regulations provide, in general, that a foreign corporation organized in a qualified foreign country and engaged in the international operation of ships or aircraft shall exclude qualified income from gross income for purposes of federal income taxation provided that the corporation can satisfy certain ownership requirements, including, among other things, that its stock is publicly traded. A corporation's stock that is publicly traded will satisfy this requirement if more than 50% of its stock is owned by persons who each own less than 5% of the value of the outstanding shares of the corporation's stock.

To the best of the Company's knowledge it currently qualifies as a publicly traded corporation under these proposed rules and, if the proposed rules were in force, substantially all of the Company's income (with the exception of the U. S. source income from the transportation, hotel and tour business of Holland America Tours) would continue to be exempt from U. S. federal income taxes.

In order to ensure that the Company continues to be publicly traded under the proposed Section 883 regulations, the Company amended its Articles of Incorporation in April 2000 to prohibit any person, other than an existing 5% shareholder, from acquiring shares that would give such person in the aggregate more than 4.9% of the value of the outstanding shares of the Company.

Note 8—Financial Instruments

The Company estimates the fair value of financial instruments through the use of public market prices, quotes from financial institutions and other available information. Considerable judgment is required in interpreting data to develop estimates of fair value and, accordingly, amounts are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Financial instruments are not held for trading or other speculative purposes.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these instruments.

Other Assets

At November 30, 2000 and 1999, long-term other assets included marketable securities held in a "Rabbi Trust" for certain of the Company's non-qualified benefit plans and long-term receivables. These assets had both carrying and fair values of approximately \$135.0 million and \$28.3 million at November 30, 2000 and 1999, respectively. Fair value was estimated based on quoted market prices or expected future discounted cash flows.

Long-Term Debt

At November 30, 2000 and 1999, the fair value of the Company's long-term debt, including the current portion, was approximately \$2.27 billion and \$1.02 billion, respectively, which was approximately \$76 million and \$53 million less than the carrying values on those respective dates. The difference between the fair value of the long-term debt and the carrying value was due primarily to the Company's issuance of fixed rate debt obligations at interest rates that are below market rates in existence at the measurement dates. The fair value of the Company's unsecured Debentures and Notes was estimated based on the quoted market price for the same or similar issues. The fair value of the Company's other long-term debt was estimated based on the market rates available to the Company for similar debt.

Foreign Currency Contracts

The Company enters into forward foreign currency contracts to reduce its exposures relating to exchange rate changes in foreign currency. These contracts are subject to gain or loss from changes in foreign currency rates, however, any realized gain or loss will generally be offset by gains or losses on the underlying hedged foreign currency transactions. The fair value of the Company's forward hedging instruments discussed below was estimated based on prices quoted by financial institutions for these instruments.

Several of the Company's contracts for the construction of cruise ships are denominated in either Italian lira, German marks or euros. The Company is a party to forward foreign currency contracts with a notional amount of \$3.7 billion and \$1.86 billion at November 30, 2000 and 1999, respectively, to fix the price of these ships into U.S. dollars (see Note 9). At November 30, 2000 and 1999, these forward contracts had an estimated fair value of approximately \$3.2 billion and \$1.8 billion, respectively.

Interest Rate Swaps

Costa has interest rate swap agreements in place to pay fixed interest rates in exchange for floating interest rate payments on substantially all of its debt. At November 30, 2000, these swaps had a notional amount and an estimated unrealized loss of

\$766 million and \$2.8 million, respectively, and a weighted average remaining life of approximately 2.3 years. The fair value of interest rate swap agreements was estimated based on quoted market

rates for similar financial instruments. There were no interest rate swap agreements outstanding at November 30, 1999.

NOTE 9—Commitments and Contingencies

Ship Commitments

A description of ships under contract for construction at November 30, 2000 was as follows (in millions, except passenger capacity data):

Ship	Expected Service Date ⁽¹⁾	Shipyard	Passenger Capacity ⁽²⁾	Estimated Total Cost ⁽³⁾
Carnival				
Carnival Spirit	4/01	Masa-Yards	2,124	\$ 375
Carnival Pride	1/02	Masa-Yards ⁽⁴⁾	2,124	375
Carnival Legend	9/02	Masa-Yards ⁽⁴⁾	2,124	375
Carnival Conquest	12/02	Fincantieri	2,974	500
Carnival Glory	8/03	Fincantieri	2,974	500
Carnival Miracle	4/04	Masa-Yards ⁽⁴⁾	2,124	375
Carnival Valor	11/04	Fincantieri ⁽⁴⁾	2,974	500
Total Carnival			17,418	3,000
Holland America				
Newbuild	11/02	Fincantieri ⁽⁴⁾	1,848	410
Newbuild	8/03	Fincantieri ⁽⁴⁾	1,848	410
Newbuild	2/04	Fincantieri ⁽⁴⁾	1,848	410
Newbuild	10/04	Fincantieri ⁽⁴⁾	1,848	410
Newbuild	6/05	Fincantieri ⁽⁴⁾	1,848	410
Total Holland America			9,240	2,050
Costa				
Newbuild	7/03	Masa-Yards ⁽⁵⁾	2,112	330
Newbuild	1/04	Fincantieri ⁽⁵⁾	2,720	380
Newbuild	12/04	Fincantieri ⁽⁵⁾	2,720	380
Total Costa			7,552	1,090
Cunard				
Queen Mary 2	12/03	Chantiers de l'Atlantique ⁽⁴⁾	2,620	780
Total Cunard			2,620	780
Total			36,830	\$6,920

(1) The expected service date is the date the ship is expected to begin revenue generating activities.

(2) In accordance with cruise industry practice, passenger capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers.

(3) Estimated total cost of the completed ship includes the contract price with the shipyard, design and engineering fees, capitalized interest, various owner supplied items and construction oversight costs.

(4) These construction contracts are denominated in either German marks, Italian lira or euros and have been fixed into U.S. dollars through the utilization of forward foreign currency contracts.

(5) These construction contracts are denominated in German marks which have a fixed exchange rate with Costa's functional currency, which is the Italian lira. The estimated total costs have been translated into U.S. dollars using the November 30, 2000 exchange rate.

In connection with the ships under contract for construction, the Company has paid approximately \$320 million through November 30, 2000 and anticipates paying the remaining estimated total cost as follows (in millions):

Fiscal	
2001	\$ 643
2002	1,734
2003	1,488
2004	2,389
2005	346
	<hr/> \$6,600 <hr/>

Litigation

Several actions (collectively the "Passenger Complaints") have been filed against the Company on behalf of purported classes of persons who paid port charges to Carnival, Holland America and Costa, alleging that statements made in advertising and promotional materials concerning port charges were false and misleading. The Passenger Complaints allege violations of the various state consumer protection acts and claims of fraud, conversion, breach of fiduciary duties and unjust enrichment. Plaintiffs seek compensatory damages or, alternatively, refunds of portions of port charges paid, attorneys' fees, costs, prejudgment interest, punitive damages and injunctive and declaratory relief.

Certain of the Passenger Complaints filed against Carnival have been dismissed. The remaining actions have been consolidated into one action in Florida. Carnival recently entered into an agreement to settle this remaining action. The settlement must be approved by the trial court. Under the settlement agreement, Carnival would issue travel vouchers with a face value of \$25-\$55 depending on specified criteria, to certain of its passengers who sailed between April 1992 and June 1997. The vouchers also provide class members with a cash redemption option of up to 20% of the face value. Pursuant to the settlement, Carnival will pay the plaintiffs' legal fees, as awarded by the court, up to a specified amount. During the fourth quarter of fiscal 2000, the Company recorded a charge for the amount of the estimated cash redemptions and settlement costs in the amount of approximately \$21 million.

Holland America Tours has entered into a settlement agreement for the one Passenger Complaint filed against it. The settlement agreement was approved by the trial court on September 28, 1998. Under the settlement agreement, Holland America would issue travel vouchers with a face value of \$10-\$50 depending on specified criteria, to certain of its passengers who are U.S. residents and who

sailed between April 1992 and April 1996, and would pay a portion of the plaintiffs' legal fees.

One member of the settlement class appealed the trial court's approval of the settlement. In August 2000, the court of appeals refused to approve the settlement and remanded the case to the trial court. Holland America Tours has filed a petition for discretionary review by the Washington Supreme Court, the ultimate outcome of which cannot currently be determined.

If the Passenger Complaint settlements are implemented as described above, the amount and timing of the travel vouchers to be redeemed for travel and the effects of the travel voucher redemption on revenues are not reasonably determinable. Accordingly, the Company will account for the non-cash redemption of the vouchers as a reduction of future revenues.

Several actions have been filed against Carnival, Holland America Tours, Cunard and Costa alleging that they violated the Americans with Disabilities Act ("ADA") by failing to make certain of their cruise ships accessible to individuals with disabilities (collectively the "ADA Complaints"). Plaintiffs seek injunctive relief and fees and costs. Certain of the plaintiffs also seek statutory damages, including punitive damages. On January 19, 2001, Carnival reached an agreement in principle with the plaintiffs to settle its major ADA Complaint. Pursuant to the agreement, Carnival will make certain modifications to its existing 15 ships. Management believes that the estimated total cost of the modifications will not be material to the Company's financial statements. The remaining actions are in progress and are proceeding.

Several actions filed against the Company and four of its officers on behalf of a purported class of purchasers of Common Stock of the Company were consolidated into one action in Florida (the "Stock Purchase Complaint"). The plaintiffs are claiming that statements made by the Company in public filings violate federal securities laws and seek unspecified compensatory damages, attorneys' fees and costs and expert fees. This action is in progress and is proceeding.

It is not now possible to determine the ultimate outcome of the pending Passenger, ADA and Stock Purchase Complaints, if such claims should proceed to trial. Management believes that the Company and these officers, as applicable, have meritorious defenses to these claims and, accordingly, the parties intend to vigorously defend against all such claims.

In August 2000, the Company received a grand jury subpoena requesting that the Company produce

documents and records concerning environmental matters. The Company continues to respond to the subpoena.

Costa has instituted arbitration proceedings in Italy to confirm the validity of its decision not to deliver its ship, the Costa Classica, to the shipyard of Cammell Laird Holdings PLC ("Cammell Laird") under an approximate \$75 million contract for the conversion and lengthening of the ship. Consequently, Costa has given notice of termination of the contract. It is expected that the arbitration tribunal's decision will be made within two years. In the event that an award is given in favor of Cammell Laird the amount of damages which Costa will have to pay, if any, is not currently determinable. In addition, it is not currently possible to determine the ultimate outcome of this matter, however, management believes that the arbitration proceeding will result in a favorable outcome for the Company.

In the normal course of business, various other claims and lawsuits have been filed or are pending against the Company. The majority of these claims and lawsuits are covered by insurance. Management believes the outcome of any such suits, which are not covered by insurance, would not have a material adverse effect on the Company's financial statements.

Contingent Obligations

The Company has certain contingent obligations, including letters of credit, to participants in lease out and lease back type transactions for three ships which, at November 30, 2000, totaled approximately \$775 million. Only in the remote event of nonperformance by certain major financial institutions, all of which have long-term credit ratings of AAA or AA, would the Company be required to make any payments under these contingent obligations. After 18–21 years, as applicable, the Company has the right to exercise purchase options that would terminate these transactions. As a result of these three transactions, the Company has received a total of approximately \$67 million (net) which was recorded as deferred income on the balance sheets and is being amortized to nonoperating income over approximately 18–21 years.

Operating Leases

Rent expense for all operating leases, primarily for office and warehouse space, for fiscal 2000, 1999 and 1998 was approximately \$10 million each year. At November 30, 2000, minimum annual rentals for all operating leases, with initial or remaining terms in excess of one year, were as follows (in thousands):

Fiscal	
2001	\$ 8,500
2002	7,300
2003	6,000
2004	5,700
2005	5,700
Thereafter	26,800
	<hr/> \$60,000

Other

At November 30, 2000, the Company had a commitment through 2013, cancelable under certain remote circumstances, to pay a minimum amount for its annual usage of certain port facilities as follows (in thousands):

Fiscal	
2001	\$ 9,400
2002	9,300
2003	11,500
2004	11,500
2005	12,500
Thereafter	113,500
	<hr/> \$167,700

Note 10—Segment Information

The Company's cruise segment included five cruise brands (six, including Costa, as of November 30, 2000) which have been aggregated as a single operating segment based on the similarity of their economic and other characteristics. Cruise revenues are comprised of sales of passenger cruise tickets, including, in some cases, air transportation to and from the cruise ships, and revenues from certain onboard activities and other related services. The tour segment represents the operations of Holland America Tours.

The significant accounting policies of the segments are the same as those described in Note 1—“Summary of Significant Accounting Policies”. Cruise revenues included intersegment revenues which primarily represent billings to the tour segment for the cruise portion of a tour when a cruise is sold as

a part of a tour package. In addition, cruise and tour operating expenses included a cost allocation of certain corporate expenses. Information for the cruise and tour segments for fiscal 2000, 1999 and 1998 was as follows (in thousands):

	Revenues	Operating income (loss)	Depreciation and amortization	Capital expenditures	Segment assets
2000					
Cruise	\$3,578,372	\$ 961,806	\$276,483	\$ 972,270	\$ 9,093,646^(a)
Tour	259,662	7,664	10,825	30,129	199,722
Affiliated operations		37,828^(a)			437,391
Reconciling items ^(b)	(59,492)	(24,340)	359	949	100,561
	\$3,778,542	\$ 982,958	\$287,667	\$1,003,348	\$ 9,831,320
1999					
Cruise	\$3,286,701	\$ 947,452	\$232,942	\$ 837,126	\$ 6,938,411
Tour	271,828	10,403	10,716	24,416	185,591
Affiliated operations		75,758 ^(a)			586,922
Reconciling items ^(b)	(61,059)	(13,914)		11,442	575,431
	\$3,497,470	\$1,019,699	\$243,658	\$ 872,984	\$ 8,286,355
1998					
Cruise	\$2,797,856	\$ 822,242	\$189,345	\$1,113,191	\$ 6,327,599
Tour	274,491	9,248	9,491	28,480	174,140
Affiliated operations		76,732 ^(a)			546,693
Reconciling items ^(b)	(63,041)	(11,698)	1,832	8,742	130,891
	\$3,009,306	\$ 896,524	\$200,668	\$1,150,413	\$ 7,179,323

(a) The November 30, 2000 cruise segment assets included Costa, while Costa's results of operations were presented in the affiliated operations segment for all periods (see Notes 3 and 5).

(b) Revenues consisted of intersegment revenues. Operating loss represented corporate expenses not allocated to segments. Capital expenditures represented corporate capital expenditures. Segment assets included cash, cash equivalents, short-term investments and other corporate assets.

See Note 5 for affiliated operations segment information which were not included in the Company's consolidated operations.

Foreign revenues for the Company's cruise brands, excluding Costa, represent sales generated from outside the U.S. primarily by foreign tour operators and foreign travel agencies. The majority of these foreign revenues are from Canada, United Kingdom, Germany and Australia. Foreign assets represent assets which are located outside of the U.S. and included, among other things, all of the Company's

ships. Revenues and year-end asset information by geographic area was as follows (in thousands):

	2000	1999	1998
Revenues:			
United States ..	\$3,180,667	\$2,934,492	\$2,545,709
Foreign	597,875	562,978	463,597
	\$3,778,542	\$3,497,470	\$3,009,306
Assets:			
United States ..	\$ 680,897	\$1,063,963	\$ 643,509
Foreign	9,150,423	7,222,392	6,535,814
	\$9,831,320	\$8,286,355	\$7,179,323

Note 11—Benefit Plans

Stock Option Plans

The Company has stock option plans for certain employees and members of the Board of Directors. The plans are administered by a committee of three directors of the Company (the "Committee") which determines who is eligible to participate, the number of shares for which options are to be granted and the amounts that may be exercised within a specified term. The option exercise price is generally established by the Committee at 100% of the fair market value of the Common Stock on the date the

option is granted. Substantially all options granted during fiscal 2000, 1999 and 1998 were granted at an exercise price per share equal to the fair market value of the Company's Common Stock on the date of grant. Employee options generally have vested evenly over five years and have a ten year term and director options have vested immediately and have a five or ten year term. At November 30, 2000, options for 1,338,781 shares were available for future grants. A summary of the status of options in the stock option plans was as follows:

	Weighted Average Exercise Price Per Share			Number of Options Years Ended November 30,		
	2000	1999	1998	2000	1999	1998
Outstanding options—beginning of year	\$22.70	\$14.95	\$11.88	6,517,168	5,987,574	5,502,580
Options granted	\$35.92	\$44.54	\$27.34	2,910,575	1,641,400	1,157,344
Options exercised	\$13.43	\$11.01	\$10.53	(244,850)	(956,706)	(652,350)
Options canceled	\$35.91	\$26.55	\$22.86	(342,100)	(155,100)	(20,000)
Outstanding options—end of year	\$26.80	\$22.70	\$14.95	8,840,793	6,517,168	5,987,574
Options exercisable—end of year	\$15.82	\$12.64	\$10.91	4,042,452	3,601,993	3,405,630

Information with respect to stock options outstanding and stock options exercisable at November 30, 2000 was as follows:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$ 1.94—\$ 2.25	37,480	(1)	\$ 2.06	37,480	\$ 2.06
\$ 6.94—\$10.31	244,900	1.9	\$ 7.51	244,900	\$ 7.51
\$10.59—\$15.00	2,767,700	4.4	\$11.30	2,743,700	\$11.28
\$16.28—\$21.91	1,457,469	8.2	\$19.54	337,938	\$19.37
\$24.63—\$26.41	840,694	7.1	\$26.39	305,854	\$26.41
\$34.03—\$41.34	234,000	8.1	\$36.49	61,600	\$37.32
\$43.56—\$48.56	3,258,550	8.7	\$44.35	310,980	\$45.56
Total	8,840,793	6.9	\$26.80	4,042,452	\$15.82

(1) These stock options do not have an expiration date.

Pursuant to SFAS No. 123, the Company has elected to use the intrinsic value method of accounting for employee stock-based compensation awards. Accordingly, the Company has not recognized compensation expense for its noncompensatory employee stock option awards. The Company's pro forma net income and earnings per share for fiscal 2000, 1999 and 1998 had the Company elected to adopt the fair value approach (which charges earnings for the estimated fair value of stock options) of SFAS No. 123 would not be materially different from reported net income and earnings per share.

The weighted average fair values of the Company's options granted during fiscal 2000, 1999 and 1998 were \$13.31, \$15.15 and \$7.61 per share, respectively, at the dates of grant. The fair values of options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions for fiscal 2000, 1999 and 1998, respectively; expected dividend yields of 1.17%, 0.80% and 1.62%; expected volatility of 28.9%, 26.3% and 20.5%; risk free interest rates of 6.4%, 4.8% and 5.3%; and expected option life of six years for all periods.

Restricted Stock Plans

The Company has restricted stock plans under which three key employees are granted restricted shares of the Company's Common Stock. Shares are awarded in the name of each of the participants, who have all the rights of other Common Stock shareholders, subject to certain restriction and forfeiture provisions. During fiscal 2000, 1999 and 1998, 150,000 shares of Common Stock were issued each year which were valued at \$5.5 million, \$6.8 million and \$4.4 million, respectively. Unearned stock compensation was recorded in stockholders' equity at the date of award based on the quoted market price of the shares on the date of grant and is amortized to expense over the vesting period. As of November 30, 2000 and 1999 there were 313,094 shares and 263,765 shares, respectively, issued under the plans which remain to be vested.

Management Incentive Plans

Most shoreside managerial employees of the Company participate in management incentive plans. Certain of the participating employees receive a portion of their incentive compensation award in

Common Stock of the Company, instead of the entire amount being paid in cash. During fiscal 2000, 1999 and 1998, 35,820, 49,734 and 61,214 shares of Common Stock with a quoted market value of \$1.7 million, \$1.7 million and \$1.6 million, respectively, were issued under these plans.

Defined Benefit Pension Plans

The Company has two defined benefit pension plans (qualified and non-qualified) that are available to certain full-time Carnival and corporate shoreside employees who were employed with the Company prior to January 1, 1998. These plans were closed to new participants on January 1, 1998. In addition, the Company has two non-qualified defined benefit plans. One of these plans was established in fiscal 1999 and is available to Carnival's shipboard employees and the other was established in fiscal 2000 and is available to two executive officers of the Company. The Company's funding policy for the qualified defined benefit plan is to annually contribute at least the minimum amount required under the applicable labor regulations. The non-qualified plans are unfunded. Pension expense for the defined benefit pension plans was \$5.2 million, \$3.6 million and \$1.9 million for fiscal 2000, 1999 and 1998, respectively.

Defined Contribution Plans

The Company has various defined contribution plans, available to substantially all U.S. and Canadian employees, and certain United Kingdom and Carnival shipboard employees. The Company contributes to these plans based on employee contributions, salary levels and length of service. Total expense relating to these plans in fiscal 2000, 1999 and 1998 was \$6.8 million, \$6.1 million and \$5.3 million, respectively.

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan which is authorized to issue up to 4,000,000 shares of Common Stock to substantially all employees of the Company. The purchase price is derived from a formula based on 85% of the fair market value of the Common Stock during the six-month purchase period, as defined. During fiscal 2000, 1999 and 1998, the Company issued 171,886, 144,911 and 175,971 shares, respectively, at a weighted average share price of \$26.36, \$36.67 and \$24.45, respectively, under this plan.

Note 12—Earnings per Share

Earnings per share were computed as follows (in thousands, except per share data):

	Years Ended November 30,		
	2000	1999	1998
Basic:			
Net income	\$965,458	\$1,027,240	\$835,885
Average common shares outstanding	599,665	612,484	595,037
Earnings per share	\$ 1.61	\$ 1.68	\$ 1.40
Diluted:			
Net income	\$965,458	\$1,027,240	\$835,885
Effect on net income of assumed issuance of affiliate securities		(3,299)	
Net income available assuming dilution	\$965,458	\$1,023,941	\$835,885
Average common shares outstanding	599,665	612,484	595,037
Effect of dilutive securities—shares issuable under various stock option plans	2,247	3,516	3,411
Average shares outstanding assuming dilution	601,912	616,000	598,448
Earnings per share	\$ 1.60	\$ 1.66	\$ 1.40

Note 13—Supplemental Cash Flow Information

	Years Ended November 30,		
(in thousands)	2000	1999	1998
Cash paid (received) for:			
Interest (net of amount capitalized)	\$40,431	\$ 49,836	\$54,572
Income taxes	\$ (800)	\$ 3,841	\$ 5,144
Noncash investing and financing activities:			
Common Stock issued for acquisition of Cunard Line Limited minority interest		\$127,069	
Common Stock issued under various stock plans	\$ 7,250	\$ 8,991	\$ 5,975
Note received upon the sale of the Nieuw Amsterdam	\$84,500		

Note 14—Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements to provide guidance on the recognition, presentation and disclosure of revenues in financial statements. In June 2000, the SEC issued SAB

101B, which delays the Company's implementation date of SAB 101 until not later than September 1, 2001. The Company has completed its review and believes that its current revenue recognition policies are in conformity, in all material respects, with this SAB and does not expect that its adoption will have a material impact on its financial statements.

Report of Independent Certified Public Accountants

To the Board of Directors and Shareholders of
Carnival Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Carnival Corporation and its subsidiaries at November 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



PricewaterhouseCoopers LLP

Miami, Florida
January 26, 2001

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Company earns its cruise revenues primarily from (i) the sale of passenger cruise tickets, which includes accommodations, meals and most onboard activities, (ii) the sale of air transportation to and from the cruise ships and (iii) the sale of goods and services on board its cruise ships, such as casino gaming, bar sales, gift shop sales and other related services. The Company also derives revenues

from the tour and related operations of Holland America Tours.

For segment information related to the Company's revenues, operating income and other financial information see Note 10 in the accompanying financial statements. Operations data expressed as a percentage of total revenues and selected statistical information for the periods indicated was as follows:

	Years Ended November 30,		
	2000	1999	1998
Revenues	100%	100%	100%
Costs and Expenses			
Operating expenses	54	53	54
Selling and administrative	13	13	12
Depreciation and amortization	8	7	7
Operating Income Before Income			
From Affiliated Operations	25	27	27
Income From Affiliated Operations, Net	1	2	3
Operating Income	26	29	30
Nonoperating Expense			(2)
Net Income	26%	29%	28%
Selected Statistical Information (in thousands):			
Passengers carried	2,669	2,366	2,045
Passenger cruise days ⁽¹⁾	16,750	14,947	13,009
Occupancy percentage ⁽²⁾	105.4%	104.3%	106.3%

(1) A passenger cruise day is one passenger sailing for a period of one day. For example, one passenger sailing on a one week cruise is seven passenger cruise days.

(2) The Company acquired a majority interest in Cunard Line Limited on May 28, 1998. Since that date, Cunard's revenues and operating results have been included in the Company's operating results. Cunard's ships generally sail with lower occupancy percentages than the Company's other brands.

General

The Company's cruise, tour and affiliated operations experience varying degrees of seasonality. The Company's revenue from the sale of passenger tickets for its cruise operations is moderately seasonal. Historically, demand for cruises has been greatest during the summer months. The Company's tour revenues are highly seasonal with a vast majority of tour revenues generated during the late spring and summer months in conjunction with the Alaska cruise season. Airtours, the Company's 25% owned equity affiliate, has revenues which are very seasonal due primarily to the nature of the European leisure travel industry. Typically, Airtours' quarters ending June 30 and September 30 experience higher revenues, with revenues in the quarter ending September 30 being the highest.

Through fiscal 2000, the Company recorded its share of Airtours and Costa's operating results in earnings from affiliated operations on a two-month lag basis. Beginning in fiscal 2001, all of Costa's results of operations will be consolidated into the Company's financial statements on a current month

basis, thus eliminating the two-month lag in reporting Costa's results of operations. This change in the timing of reporting periods, as well as Costa's greater seasonality, will increase the seasonality of the Company's quarterly results of operations, most significantly between the Company's third and fourth fiscal quarters. Costa's seasonally strong summer results of operations will be recorded in the Company's third quarter in fiscal 2001 versus in the fourth quarter in fiscal 2000. See Note 3 in the accompanying financial statements.

Average passenger capacity for the Company's cruise brands, excluding Costa, is expected to increase approximately 9.7% during fiscal 2001 as compared to fiscal 2000. This increase is primarily a result of the introduction into service of the Carnival Victory in August 2000, and Holland America's Zaandam and Amsterdam in May 2000 and October 2000, respectively, and the expected introduction into service of the Carnival Spirit in April 2001, partially offset by the withdrawal from service of Holland America's Nieuw Amsterdam in October 2000. The consolidation of Costa in fiscal 2001 will

increase the Company's consolidated capacity by an additional 20.7%, although the impact on the Company's net income will be much less, as a majority of Costa's net income was included in affiliated operations in prior years.

The year over year percentage increase in the Company's average passenger capacity resulting from the delivery of ships currently under contract for construction for fiscal 2002 and 2003 is expected to approximate 7.1% and 14.0%, respectively.

Fiscal 2000 ("2000") Compared to Fiscal 1999 ("1999")

Revenues

Revenues increased \$281 million, or 8% in 2000 compared to 1999, entirely due to an 8.9% increase in cruise revenues. The cruise revenue change resulted from an increase of approximately 10.8% in passenger capacity and a 1.2% increase in occupancy rates, partially offset by a 3.2% decrease in gross revenue per passenger cruise day. The increase in passenger capacity resulted primarily from the introduction into service of the Carnival Triumph and Carnival Victory in July 1999 and August 2000, respectively, and Holland America's Volendam and Zaandam in November 1999 and May 2000, respectively. This capacity increase was partially offset by several ships being out of service for unscheduled drydocks, including several due to manufacturer's design flaws, and the sale of the Nieuw Amsterdam in October 2000. The decrease in gross revenue per passenger cruise day was primarily due to pressure on cruise ticket prices throughout the year, with the exception of the Millennium cruises. This pressure on cruise ticket pricing was caused by a number of factors including, but not limited to, relatively softer demand and a fall-off in pre- and post Millennium bookings. Also, when a passenger elects to provide his or her own transportation, rather than purchasing air transportation from the Company, both the Company's cruise revenues and operating expenses decrease by approximately the same amount. During 2000, there was a reduction in the percentage of passengers electing to use the Company's air program and, accordingly, this caused a reduction in gross revenue per passenger cruise day, as well as a reduction in operating expenses.

Costs and Expenses

Operating expenses increased \$195.7 million, or 10.5% in 2000 compared to 1999. Cruise operating costs increased by \$201.2 million, or 11.8%, to \$1.9 billion in 2000 from \$1.7 billion in 1999. Cruise operating costs increased in 2000 primarily due to additional costs associated with the increased passenger capacity, increases in fuel costs and

increases in operational costs primarily related to the Company's Millennium cruises and port costs. Commencing in the fourth quarter of 1999, the Company began to incur significantly higher fuel costs due to a very large increase in the price of bunker fuel which continued to increase as the year progressed. The increases in the price of fuel increased the Company's consolidated operating expenses by approximately \$51 million for 2000 compared to 1999. Cruise operating costs as a percentage of cruise revenues were 53.4% and 52% in 2000 and 1999, respectively.

Selling and administrative expenses increased \$40.2 million, or 9.0% to \$487.4 million in 2000 from \$447.2 million in 1999, primarily due to an increase in payroll and related costs. Selling and administrative expenses as a percentage of revenues were 12.9% and 12.8% during 2000 and 1999, respectively.

Depreciation and amortization increased by \$44.0 million, or 18.1% to \$287.7 million in 2000 from \$243.7 million in 1999, primarily due to the additional depreciation associated with the increase in the size of the fleet and ship refurbishment expenditures.

Affiliated Operations

During 2000, the Company recorded \$37.8 million of income from affiliated operations as compared with \$75.8 million of income in 1999. The Company's portion of Airtours' losses in 2000 was \$41.2 million as compared to income of \$36.2 million in 1999. The Company recorded income of \$76.7 million and \$39.9 million during 2000 and 1999, respectively, related to its interest in Costa. The Company's results from affiliated operations included net nonrecurring charges totaling \$5 million, consisting of a \$43 million charge for the Company's equity interest in restructuring and other nonrecurring net charges recorded by Airtours, partially offset by a \$38 million income tax benefit resulting from Costa's change in tax status upon registration of its ships within the Italian International Ship Registry and the reversal of certain Costa tax liabilities.

See the "General" section for a discussion of Airtours' and Costa's seasonality. See Notes 3 and 5 in the accompanying financial statements for more information regarding the acquisition of Costa and the Company's affiliated operations.

Nonoperating Income (Expense)

Interest income decreased \$25.4 million in 2000 to \$16.5 million from \$41.9 million in 1999 due primarily to lower average investment balances primarily resulting from the purchase of Treasury Stock, partially offset by higher interest rates.

Gross interest expense (excluding capitalized interest) decreased slightly to \$82.5 million in 2000 from \$87.9 million in 1999 primarily as a result of

lower average outstanding debt balances, partially offset by a higher weighted average borrowing cost.

Other income in 2000 of \$8.5 million primarily includes \$21.4 million of compensation received from the shipyard, net of certain related expenses, a \$10.6 million gain on a forward foreign currency contract purchased to fix the acquisition price of Costa, partially offset by, among other things, a \$21 million port litigation charge (see Note 9 in the accompanying financial statements). The payments from the shipyard represent reimbursements for expenses incurred and lost profits due to ship construction or design issues which caused either delays in ship delivery or drydocks to correct the problems.

Fiscal 1999 (“1999”) Compared to Fiscal 1998 (“1998”)

Revenues

Revenues increased \$488 million, or 16.2% in 1999 compared to 1998, entirely due to a 17.5% increase in cruise revenues. The cruise revenue change resulted from an increase of approximately 17.2% in passenger capacity and a 2.6% increase in gross revenue per passenger cruise day, partially offset by a 2.3% decrease in occupancy rates. The increase in passenger capacity resulted from the acquisition of Cunard Line Limited in late May 1998, which increased 1999 capacity by 5.6%, and the balance of the increase resulted primarily from the introduction into service of Carnival’s Elation and Paradise in March and November 1998, respectively, and the Carnival Triumph in July 1999, as well as Carnival’s Ecstasy being in service throughout 1999. Both the increase in gross revenue per passenger cruise day and the decrease in occupancy rates was primarily due to Cunard Line Limited’s higher gross revenue per passenger cruise day and lower occupancy rates than the Company’s other brands and, to a lesser extent, an increase in gross revenue per passenger cruise day for the Carnival and Holland America brands.

As a result of the 1999 military conflict in the Balkans, the second half of the Company’s 1999 Mediterranean cruise revenues were negatively impacted. Although management lessened this impact by, among other things, changing the itineraries of certain of its Mediterranean cruises, offering additional incentives and increasing advertising expenditures, the 1999 Mediterranean cruise results were still lower than originally expected.

Costs and Expenses

Operating expenses increased \$243.3 million, or 15.0% in 1999 compared to 1998. Cruise operating costs increased by \$250.2 million, or 17.1%, to

\$1.71 billion in 1999 from \$1.46 billion in 1998. Cruise operating costs increased in 1999 primarily due to additional costs associated with the increased passenger capacity and increases in airfare and fuel costs. Airfare costs increased primarily due to a higher rate per air passenger partially offset by a lower percentage of passengers electing the Company’s air program. Commencing in the fourth quarter of 1999, the Company began to incur significantly higher fuel costs due to a very large increase in the price of bunker fuel. Cruise operating costs as a percentage of cruise revenues were 52% and 52.1% in 1999 and 1998, respectively.

Selling and administrative expenses increased \$77.8 million, or 21.0% to \$447.2 million in 1999 from \$369.5 million in 1998, primarily due to an increase in advertising and payroll and related costs. Selling and administrative expenses as a percentage of revenues were 12.8% and 12.3% during 1999 and 1998, respectively.

Cunard Line Limited’s cruise operating costs and selling and administrative expenses as a percentage of revenues are higher than the Company’s other brands. Accordingly, the Company’s expense ratios are higher in 1999 due to the inclusion of Cunard Line Limited’s expenses since the third quarter of 1998.

Depreciation and amortization increased by \$43.0 million, or 21.4%, to \$243.7 million in 1999 from \$200.7 million in 1998 primarily due to the additional depreciation associated with the increase in the size of the fleet and the acquisition and consolidation of Cunard and Seabourn.

Affiliated Operations

During 1999, the Company recorded \$75.8 million of income from affiliated operations as compared with \$76.7 million of income in 1998. The Company’s portion of Airtours’ income decreased \$3.2 million in 1999, or 8.1%, to \$36.2 million in 1998. The Company recorded income of \$39.9 million during both 1999 and 1998 related to its interest in Costa.

Nonoperating Income (Expense)

Interest income increased \$31.7 million in 1999 to \$41.9 million from \$10.3 million in 1998 due primarily to higher average investment balances resulting from the investment of proceeds received by the Company upon the sale of its Common Stock in December 1998 (see Note 7 in the accompanying financial statements).

Gross interest expense (excluding capitalized interest) decreased slightly to \$87.9 million in 1999 from \$92.9 million in 1998 primarily as a result of lower average outstanding debt balances. Capitalized interest increased \$5.8 million during 1999 as compared with 1998 due primarily to higher levels of investments in ship construction projects.

Other income in 1999 of \$29.4 million primarily relates to \$21.4 million of compensation received from the shipyard related to the late deliveries of the Volendam and Carnival Triumph, net of certain related expenses, collection of \$4.5 million of insurance proceeds, recognition of \$2.3 million of ship lease transaction income and \$13.6 million of other nonrecurring gains. In addition, other income was partially reduced for, among other things, an \$8.8 million expense for the writedown of the Company's investment in Wyndham International common stock and \$3.2 million of expenses related to the small engine room fire on the Carnival ship Tropicale.

Minority interest was \$14.0 million in 1999 compared with \$11.1 million in 1998 which represents the minority shareholders' interest in Cunard Line Limited's net income. On November 15, 1999, the Company acquired the remaining minority interest in Cunard at which point no further Cunard minority interest expense will be recorded by the Company.

Liquidity and Capital Resources

Sources and Uses of Cash

The Company's business provided approximately \$1.3 billion of net cash from operations during fiscal 2000 and fiscal 1999.

During fiscal 2000, the Company's net expenditures for capital projects were approximately \$1 billion, of which \$885 million was spent in connection with its ongoing shipbuilding program. The shipbuilding expenditures included the final payments on the Carnival Victory and Holland America's Zaandam, which were delivered to the Company in July and April 2000, respectively. The nonshipbuilding capital expenditures consisted primarily of ship refurbishments, information technology assets, tour assets and other.

During fiscal 2000, the Company had net borrowings of \$342.8 million under its commercial paper programs and made principal payments related to other debt totaling \$210.7 million pursuant to various notes payable, including \$200 million for the payment of unsecured 5.65% Notes in October 2000. Also on September 29, 2000, the Company incurred approximately \$510 million in debt related to the acquisition of the remaining 50% interest of Costa. In addition, the Company consolidated approximately \$620 million of Costa debt which is included in the November 30, 2000 balance sheet (see Note 3 in the accompanying financial statements). Finally, the Company paid cash dividends of \$254.3 million in fiscal 2000.

In February 2000, the Company's Board of Directors authorized the repurchase of up to \$1 billion of the Company's Common Stock. During fiscal

2000, the Company repurchased 33.1 million shares of its Common Stock at a cost of \$705.1 million. Given the Company's recent purchase of Costa and management's desire to maintain a strong balance sheet and strong liquidity, the Company does not anticipate repurchasing additional shares of its Common Stock in the near future.

Future Commitments and Funding Sources

As of November 30, 2000, the Company had contracts for the delivery of sixteen new ships over the next five years. The Company's remaining obligations related to these ships under contract for construction is to pay approximately \$643 million during fiscal 2001 and approximately \$6.0 billion thereafter.

At November 30, 2000, the Company had \$2.3 billion of long-term debt of which \$248.2 million is due in fiscal 2001, substantially all of which is Costa debt. See Notes 6 and 9 in the accompanying financial statements for more information regarding the Company's debts and commitments.

As a normal part of the Company's business, depending on market conditions, pricing and the Company's overall growth strategy, the Company considers opportunities to enter into contracts for the building of additional ships and also considers potential acquisitions and strategic alliances.

The Company expects that future cash from operations will be the Company's principal funding source for capital projects, debt service requirements, dividend payments and working capital. In addition, as of November 30, 2000, the Company had \$189.3 million of cash and cash equivalents and \$696 million available for borrowing under its revolving credit facilities.

To the extent that the Company is required to or chooses to fund future cash requirements from sources other than as discussed above, management believes that it will be able to secure such financing from banks or through the offering of debt and/or equity securities in the public or private markets. In that regard, management expects to refinance approximately \$285 million of the Company's Costa acquisition debt in the first half of 2001, as well as \$220 million of Costa's debt which is due in November 2001.

Other Matters

Market Risks

The Company is principally exposed to market risks from fluctuations in foreign currency exchange rates, bunker fuel prices, interest rates and equity and food commodity prices. The Company seeks to minimize these risks through its regular operating and financing activities, its long-term investment and debt portfolio strategies and, when considered appropriate,

through the use of derivative financial instruments. The Company's policy is to not use financial instruments for trading or other speculative purposes.

Exposure to Foreign Currency Exchange Rates

The Company's primary foreign currency exchange risk was related to its outstanding commitments under ship construction contracts denominated in a foreign currency. These commitments are affected by fluctuations in the value of the U.S. dollar as compared to certain European currencies. Foreign currency forward contracts are generally used to manage this risk (see Notes 2 and 9 in the accompanying financial statements). Accordingly, increases and decreases in the fair value of these foreign currency forward contracts offset changes in the U.S. dollar value of the net underlying foreign currency denominated ship construction commitments, thus resulting in the elimination of such risk.

At November 30, 2000, the Company's foreign currency forward contracts which hedge its shipbuilding activities had notional amounts and maturity dates of \$397 million, \$816 million, \$1.0 billion, \$1.2 billion and \$291 million in 2001, 2002, 2003, 2004 and 2005, respectively. The fair value of these contracts was \$3.2 billion at November 30, 2000. Based upon a 10% strengthening or weakening of the U.S. dollar compared to the euro, assuming no changes in comparative interest rates, the estimated fair value of these contracts would decrease or increase by \$320 million which would be offset by a decrease or increase of \$320 million in the U.S. dollar value of the related foreign currency ship construction commitments resulting in no net dollar impact to the Company.

The cost of shipbuilding orders which the Company may place in the future may be affected by foreign currency exchange rate fluctuations. Should the U.S. dollar weaken relative to the euro, future orders for new ship construction in European shipyards may be at higher prices relative to the U.S. dollar.

Additionally, the Company's investments in foreign subsidiaries and affiliates subjects it to foreign currency exchange rate risk. Management considers its investments in foreign subsidiaries and affiliates to be denominated in relatively stable currencies and/or of a long-term nature and, accordingly, does not typically manage its related foreign currency exchange rate risk through the use of derivative financial instruments. However, in paying the Costa acquisition price, management utilized debt denominated in the functional currency of Costa to reduce a portion of this risk.

Finally, the Company sells certain of its cruises and incurs certain cruise-related expenses in foreign currencies which subjects the Company to foreign

currency exchange risk. The Company does not expect that the impact of fluctuations in the foreign currency exchange rate on its foreign currency denominated cruise revenues and expenses to materially affect its results of operations due primarily to the natural hedges which are expected to exist within the Company's operations and the relative stability of the foreign currencies. However, management will continue to monitor such items to determine if any actions, such as the issuance of additional foreign currency denominated debt or other financial instruments, would be warranted to reduce such risk.

Exposure to Bunker Fuel Prices

Cruise ship expenses are impacted by changes in bunker fuel prices. Bunker fuel consumed over the past three fiscal years ranged from approximately 2.2 percent in fiscal 1998 to 4.0 percent in fiscal 2000 of the Company's gross cruise revenues. The Company endeavors to acquire bunker fuel at the lowest possible prevailing prices given, among other things, its substantial buying power and ability to refuel certain of its ships at ports which offer competitive price advantages.

The Company has typically not used financial instruments to hedge its exposure to the bunker fuel price market risk. However, in fiscal 2000, the Company entered into fuel swap agreements intended to hedge this price risk for a minor portion of its fiscal 2001 consumption. Management is continuing to monitor this market risk, and may, in the future, decide to increase its use of financial instruments to reduce this risk.

Based upon a 10% hypothetical increase or decrease in the November 30, 2000 bunker fuel price, the Company estimates that its fiscal 2001 bunker fuel cost would increase or decrease by approximately \$17 million compared to fiscal 2000.

Exposure to Interest Rates

In order to limit its exposure to interest rate fluctuations, the Company has entered into a substantial amount of fixed rate debt instruments. Also, its Costa subsidiary currently utilizes variable to fixed interest rate swap agreements to fix substantially all of its interest costs over the short-term. The differential in interest rates to be paid or received under these swap agreements will be recognized in income as part of interest expense over the life of the contracts. The Company continuously evaluates its debt portfolio, including interest rate swap agreements, and makes periodic adjustments to the mix of floating rate and fixed rate debt based on its view of interest rate movements.

At November 30, 2000, the Company's long-term debt had a carrying value of \$2.35 billion. The

Company also had interest rate swaps on debt with a notional amount of \$766 million and a weighted average remaining life of approximately 2.3 years. The fair value of this debt at November 30, 2000 was \$2.27 billion. Based upon a hypothetical 10% decrease or increase in the period end market interest rate, the fair value of this liability would increase or decrease by approximately \$42 million.

This hypothetical amount is determined by considering the impact of the hypothetical interest rates on the Company's existing debt and interest rate swaps. This analysis does not consider the effects of the changes in the level of overall economic activity that could exist in such environments. Furthermore, since substantially all of the Company's fixed rate debt cannot be prepaid and a large portion of its variable rate debt is subject to interest rate swaps which effectively fix the interest rate in the short-term, it is most likely management would be unable to take any significant steps in the short-term to mitigate its exposure in the event of a significant decrease in market interest rates.

Exposure to Equity and Food Commodity Prices

The Company has equity price risk related to its investment in Airtours and commodity price risk related to its food purchases. The Company does not typically manage these risks through the use of derivative financial instruments since it considers its investment in Airtours to be of a long-term nature and does not expect changes in food commodity prices to be material. However, management will

continue to monitor these risks to determine if any actions would be necessary to reduce such risks.

Euro Conversion

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and one common currency—the euro. The euro trades on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and coins will be used, and legacy currencies will be withdrawn from circulation. The Company's operating subsidiaries affected by the euro conversion have developed plans to address the systems and business issues affected by the euro currency conversion. These issues include, among others, (i) the need to adapt computer and other business systems and equipment to accommodate euro-denominated transactions, and (ii) the competitive impact of cross-border price transparency, which may affect pricing strategies. The Company does not expect this conversion to have a material impact on its financial statements.

Selected Financial Data

The selected financial data presented below for the fiscal years 1996 through 2000 and as of the end of each such fiscal year are derived from the financial statements of the Company and should be read in conjunction with such financial statements and the related notes.

		Years Ended November 30,			
(in thousands, except per share data)	2000	1999	1998	1997	1996
Income Statement and Other Data:					
Revenues	\$3,778,542	\$3,497,470	\$3,009,306	\$2,447,468	\$2,212,572
Operating income before income from affiliated operations	\$ 945,130	\$ 943,941	\$ 819,792	\$ 660,979	\$ 551,461
Operating income	\$ 982,958	\$1,019,699	\$ 896,524	\$ 714,070	\$ 597,428
Net income	\$ 965,458	\$1,027,240	\$ 835,885	\$ 666,050	\$ 566,302
Earnings per share ⁽¹⁾ :					
Basic	\$ 1.61	\$ 1.68	\$ 1.40	\$ 1.12	\$.98
Diluted	\$ 1.60	\$ 1.66	\$ 1.40	\$ 1.12	\$.96
Dividends declared per share ⁽¹⁾	\$.420	\$.375	\$.315	\$.240	\$.190
Passenger cruise days	16,750	14,947	13,009	11,908	10,583
Occupancy percentage ⁽²⁾	105.4%	104.3%	106.3%	108.3%	107.6%
		As of November 30,			
(in thousands)	2000	1999	1998	1997	1996
Balance Sheet Data:					
Total assets	\$9,831,320	\$8,286,355	\$7,179,323	\$5,426,775	\$5,101,888
Long-term debt	\$2,099,077	\$ 867,515	\$1,563,014	\$1,015,294	\$1,316,632
Total shareholders' equity	\$5,870,617	\$5,931,247	\$4,285,476	\$3,605,098	\$3,030,884

(1) All per share amounts have been adjusted to reflect a two-for-one stock split effective June 12, 1998.

(2) In accordance with cruise industry practice, occupancy percentage is calculated based upon two passengers per cabin even though some cabins can accommodate three or four passengers. The percentages in excess of 100% indicate that more than two passengers occupied some cabins.

Market Price for Common Stock

The Company's Common Stock is traded on the New York Stock Exchange. The high and low Common Stock sales prices for the periods indicated were as follows:

	High	Low
Fiscal 2000:		
First Quarter	\$50.563	\$27.625
Second Quarter	\$28.813	\$21.875
Third Quarter	\$27.313	\$18.625
Fourth Quarter	\$25.750	\$19.688
Fiscal 1999:		
First Quarter	\$49.125	\$34.875
Second Quarter	\$53.500	\$38.500
Third Quarter	\$50.500	\$39.750
Fourth Quarter	\$51.875	\$38.125

As of January 25, 2001, there were approximately 4,763 holders of record of the Company's Common Stock. While no tax treaty currently exists between the Republic of Panama and the U. S., under current law, the Company believes that distributions to its shareholders are not subject to taxation under the laws of the Republic of Panama.

Selected Quarterly Financial Data (Unaudited)

Quarterly financial results for fiscal 2000 were as follows:

(in thousands, except per share data)	Quarters Ended			
	February 29,	May 31,	August 31,	November 30,
Revenues	\$824,878	\$875,127	\$1,228,211	\$850,326
Gross profit	\$359,438	\$378,006	\$ 613,487	\$369,269
Operating income before income from affiliated operations	\$170,955	\$188,891	\$ 418,910	\$166,374
Operating income	\$159,518	\$194,419	\$ 420,458	\$208,563
Net income	\$171,517 ⁽¹⁾	\$203,956 ⁽¹⁾⁽²⁾	\$ 396,190	\$193,795 ⁽³⁾
Earnings per share:				
Basic	\$.28	\$.34	\$.67	\$.33 ⁽³⁾
Diluted	\$.28	\$.34	\$.67	\$.33 ⁽³⁾
Dividends declared per share	\$.105	\$.105	\$.105	\$.105

(1) Includes \$8.5 million and \$6.6 million in the February 29 and May 31 quarters, respectively, of net compensation received from the shipyard relating to the delayed delivery of Holland America Line's Zaandam.

(2) Includes \$13.1 million of nonrecurring gains related to the reversal of certain of Costa's tax liabilities.

(3) Includes nonrecurring charges totaling \$24 million, or \$.04 per share, consisting of (a) a \$42 million charge for the Company's equity interest in restructuring and other nonrecurring charges recorded by Airtours and (b) a \$21 million port litigation charge, partially offset by (c) a \$12 million gain on a forward foreign currency contract purchased to hedge the acquisition price of Costa and (d) a \$27 million deferred income tax benefit resulting from Costa's change in tax status upon registration of its ships within the Italian International Ship Registry. In addition, includes approximately \$7 million of net compensation received from a shipyard for reimbursements related to Holland America Line's Rotterdam VI.

Quarterly financial results for fiscal 1999 were as follows:

(in thousands, except per share data)	Quarters Ended			
	February 28,	May 31,	August 31,	November 30,
Revenues	\$748,258	\$796,149	\$1,161,821	\$791,242
Gross profit	\$332,155	\$363,723	\$ 589,408	\$349,548
Operating income before income from affiliated operations	\$163,481	\$199,295	\$ 416,408	\$164,757
Operating income	\$157,564	\$198,113	\$ 427,184	\$236,838
Net income	\$157,761	\$203,342	\$ 415,093 ⁽¹⁾	\$251,044 ⁽¹⁾
Earnings per share:				
Basic	\$.26	\$.33	\$.68	\$.41
Diluted	\$.26	\$.33	\$.67	\$.40
Dividends declared per share	\$.09	\$.09	\$.09	\$.105

(1) Includes \$5.1 million and \$15.1 million in the August 31 and November 30 quarters, respectively, of net compensation received from the shipyard related to the delayed delivery of the Carnival Triumph and Holland America Line's Volendam, respectively.

Forward-Looking Statements

Certain statements in the Shareholders' Letter and under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this 2000 Annual Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions which may impact levels of disposable income of consumers and the passenger revenue yields for the Company's

cruise products; consumer demand for cruises, including the effects on consumer demand of armed conflicts, political instability or adverse media publicity; increases in cruise industry capacity; cruise and other vacation industry competition; changes in tax laws and regulations; the ability of the Company to implement its shipbuilding program and to continue to expand its business outside the North American market; changes in foreign currency exchange rates, food and fuel commodity prices and interest rates; delivery of new ships on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise ships; impact of pending or threatened litigation; the ability of unconsolidated affiliates to successfully implement their business strategies and changes in laws and regulations applicable to the Company.

Carnival Corporation
Corporate Information

Principal Officers

CARNIVAL CORPORATION

Micky Arison

Chairman of the Board and Chief Executive Officer

Howard S. Frank

Vice Chairman of the Board and Chief Operating Officer

Gerald R. Cahill

Senior Vice President Finance and Chief Financial Officer

Ian Gaunt

Senior Vice President International

Kenneth D. Dubbin

Vice President Corporate Development

Lowell Zemnick

Vice President and Treasurer

CARNIVAL CRUISE LINES

Robert H. Dickinson

President and Chief Operating Officer

COSTA CROCIERE S.P.A.

Pier Luigi Foschi

Chairman and Chief Executive Officer

CUNARD LINE LIMITED

Pamela C. Conover

President and Chief Operating Officer

HOLLAND AMERICA LINE-WESTOURS INC.

A. Kirk Lanterman

Chairman of the Board and Chief Executive Officer

Board of Directors

Micky Arison

*Chairman of the Board and Chief Executive Officer
Carnival Corporation*

Shari Arison

*Chairman
Arison Holdings (1998) Ltd.*

Maks L. Birnbach

*Chairman of the Board
Fullcut Manufacturers, Inc.*

Richard G. Capen, Jr.

Former United States Ambassador to Spain

Robert H. Dickinson

*President and Chief Operating Officer
Carnival Cruise Lines*

Arnold W. Donald

*Chairman and Chief Executive Officer
Merisant Company*

James M. Dubin

*Senior Partner
Paul, Weiss, Rifkind, Wharton & Garrison*

Howard S. Frank

*Vice Chairman of the Board and Chief Operating Officer
Carnival Corporation*

A. Kirk Lanterman

*Chairman of the Board and Chief Executive Officer
Holland America Line-Westours Inc.*

Modesto A. Maidique

*President
Florida International University*

Stuart Subotnick

*General Partner and Executive Vice President
Metromedia Company*

Sherwood M. Weiser

*Chairman of the Board and Chief Executive Officer
CRC Holdings, Inc.*

Meshulam Zonis

*Former Senior Vice President Operations
Carnival Cruise Lines*

Uzi Zucker

*Senior Managing Director
Bear Stearns & Co. Inc.*

Shareholder Information

Corporate Headquarters

Carnival Corporation
3655 N.W. 87th Avenue
Miami, Florida 33178-2428

Independent Certified Public Accountants

PricewaterhouseCoopers LLP
200 South Biscayne Boulevard, Suite 1900
Miami, Florida 33131-2330

**Registrar, Stock Transfer Agent and
Dividend Reinvestment Plan Administrator**

First Union National Bank
1525 West W.T. Harris Blvd., Bldg. 3C3
Charlotte, North Carolina 28288-1153
1-800-829-8432

Stock Listing

The company's common stock trades
on the New York Stock Exchange under
the symbol CCL.



Legal Counsel

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064

Shareholder Inquiries

Copies of the company's Form 10-K, Proxy Statement
and other documents, as well as information on finan-
cial results, cruise brands and company press releases
are available through the Carnival Corporation home
page on the Internet at www.carnivalcorp.com.

For information about Carnival Corporation and its
subsidiaries, including copies of Annual Reports, Form
10-K and 10-Q documents and other available financial
information, in addition to the Internet site noted above,
you may also contact:

Carnival Corporation Investor Relations
MSEO 1000
3655 N.W. 87th Avenue
Miami, Florida 33178-2428

Annual Meeting

Carnival Corporation's annual meeting of
shareholders will be held on April 17, 2001,
11 a.m. at the Biltmore Hotel, 1200 Anastasia
Avenue, Coral Gables, Florida 33134.



CARNIVAL
CORPORATION

Carnival Place, 3655 N.W. 87th Avenue
Miami, Florida 33178-2428

www.carnivalcorp.com